

**Social Entrepreneurship in Texas Nonprofit Organizations**

**By**

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## **Abstract**

### *Research Purpose*

The purpose of the study is to describe how and why nonprofit organizations in Texas are implementing social entrepreneurial practices into their organizations. The term social entrepreneurship in the nonprofit sector is conceptualized. Social entrepreneurship is used by nonprofit organizations that are hoping to improve their effectiveness. The social entrepreneurial survey was performed to ascertain the role of social entrepreneurship in Texas nonprofits.

### *Method*

This study uses a survey to understand the use of social entrepreneurship in nonprofit organizations of Texas. An electronic survey was sent to 230 nonprofit organizations in the state of Texas. Descriptive statistics were used to analyze the results.

### *Findings*

Nonprofit organizations in Texas are attuned to the basic tenets of social entrepreneurship. They are using social entrepreneurial programs and practices in an attempt to generate additional revenue for their organizations. They are knowledgeable about the importance of community representation and accountability, the necessity of a diverse funding mix, setting goals for new programs and hiring staff with business skills and experience. However, they fall short in the implementation of actively developing social entrepreneurship programs.

## **About the Author**

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## Chapter 1: Introduction

Social entrepreneurship is using effective business strategies in the nonprofit sector. Whether it is a bake shop whose proceeds are used to offset administrative costs, or an international micro-lending enterprise, the gamut of social entrepreneurial programs is tremendous. The scale and scope of social entrepreneurial programs vary from the small and unsophisticated to the large and complicated.

A local human services agency that has opened a thrift shop in order to bring in additional revenues has created a social entrepreneurial program. Likewise, a ministry that is training its staff in business practices is utilizing social entrepreneurial practices. On the other end of the of the social entrepreneurship spectrum are organizations like Grameen Bank and Sekem (Mair and Marti 2006). Grameen Bank is one of the first and most popular micro-lending banks; Sekem has a mission “to restore and maintain the vitality of the soil and food as well as the biodiversity of nature through sustainable, organic agriculture ([www.Sekem.com](http://www.Sekem.com)).” Mair and Marti view organizations like Grameen Bank and Sekem as “institution changing social entrepreneurial organizations (2006, 40).” These are large organizations that are altering the institutional structures and creating whole new social industries. One such example (similar to Grameen Bank) from the United States is Kiva.

Kiva is an example of the evolution of the nonprofit sector. In a one week period in 2009, over six thousand entrepreneurs around the world received small loans ranging from \$25 to \$250. The money came from 14,163 lenders who gave over 2 million dollars in an effort to alleviate poverty (Kiva.org). This was all done on the internet through Kiva’s micro-lending website, Kiva.org. Capitalizing on the power of the Internet, Kiva has revolutionized lending,

fusing charitable giving and the spirit of the nonprofit sector with practices normally handled only by the business sector. This changing of the nonprofit sector highlighted by Kiva has been labeled social entrepreneurship.

Kiva can accurately be labeled as social entrepreneurial because it incorporates effective business strategies with an innovative method of solving social problems. Kiva's growth is unprecedented in the nonprofit sector. It is one of the fastest growing nonprofits in history with total loans reaching over \$127,000,000 in its short five year history (Coates and Saloner 2009). The Kiva example is testament to the possibilities of organizations that are incorporating social entrepreneurial programs into their operating models.

All social entrepreneurial organizations need not look like Kiva or Sekem, for "social entrepreneurship takes on multiple forms, depending on socioeconomic and cultural circumstances (Mair and Marti 2006, 42)." Social entrepreneurship should be viewed broadly, "as a process involving the innovative use and combination of resources to pursue opportunities to catalyze social change and/or address social needs (Mair and Marti 2006, 37)." Historical circumstances have propelled nonprofit organizations in this direction - a direction of innovation, opportunity recognition and the adoption of business management techniques.

### **The Need for Social Entrepreneurship**

Between 1960 and 1993, current operating expenditures of the voluntary sector as a percentage of gross domestic product more than doubled (Hodgkinson and Weitzman 1996). From 1977 to 1994, the U.S. economy grew 2.2 percent, while the nonprofit sector grew 3.7 percent (Hodgkinson and Weitzman 1996). During this period, the major sources of funding for



charitable organizations shifted dramatically. Private contributions dropped considerably and government sources of funding increased (Hodgkinson and Weitzman 1996).

With the change in funding, operations became more dependent on government resources and, “By 1980, private nonprofit organizations received a larger share of their total revenues from the federal government than from all private giving: \$40.4 billion vs. \$25.5 billion (MacManus 1985, 641).” This situation quickly changed. In response to the growth of nonprofits that were draining federal resources, the federal government began cutting back on the new increase of giving to nonprofits. By doing this “the Reagan administration significantly reduced the revenues of the nonprofit sector...the sector has overcome the resulting cutbacks, but they have done so chiefly by increasing their income from service charges, rather than their private charitable support (Salamon 1986, 1).” Private contributions were expected to offset government cutbacks but they did not, declining from 26 percent of nonprofits’ total annual funds in 1977 to only 18 percent in 1992 (Eikenberry & Kluver 2004). An article by Brown et al. highlights similar problems facing nonprofit organizations in current times:

*“Federal and state funding is drying up as government agencies wrestle with decreased tax revenues, increased demand for services, changing priorities, and other budget drains. As jobs have continued to move abroad and the demand for unskilled workers has decreased, more people are looking for charitable institutions to help in times of crisis. These increased needs are stretching meager resources to the breaking point. Compounding these problems is the lack of coordination and communication among charities which results in fragmented services (2005, 1).”*

Government cuts, more demand and less overall support, seem to be recurring themes in the nonprofit world. The tremendous changes felt by the nonprofit sector from the 1970s until present day have forced organizations to rethink their operating strategies. Implementing social

entrepreneurial methods into organizations is a method that fits the unstable market many nonprofit organizations find themselves in.

## **Descriptive Research Purpose**

The purpose of the study is to describe how and why nonprofit organizations in Texas are implementing social entrepreneurial practices into their organizations.<sup>1</sup> The term social entrepreneurship is best examined in historical perspective.

Political and managerial policies and practices have lead nonprofit organizations to increase use of social entrepreneurship. The social entrepreneurial survey was performed to ascertain the role of social entrepreneurship in Texas nonprofits. As social entrepreneurship is really the use of effective management strategies, organizations that are hoping to improve their effectiveness and/or specifically looking to adopt social entrepreneurial programs will benefit from this study.

While there are a number of ways that the nonprofit sector is evolving, social entrepreneurship is particularly important for two main reasons. First, nonprofit organizations are limited in the impact they can make by the amount of resources they have available. Social entrepreneurship is the natural reaction to a limited supply of funds coupled with a persistent and growing concern to make the world a better place. Looking for new ways to strengthen their impact, organizations are using alternative ways of bringing in funding. If they can leverage resources like their for-profit counterparts, it may be feasible to mirror the perpetual and ever increasing growth of the for-profit companies (in terms of social value creation).

Secondly, the adoption of social entrepreneurial practices tells a lot about the organizational culture of a nonprofit organization. Social entrepreneurial organizations are

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<sup>1</sup> For additional examples of descriptive research type models see Goldberg (2009); Marlin (2008); Moore (2009); Shepherd (2007) and Jobe (2009).

innovative, they manage risk effectively, and they consistently create and measure social value. The leaders act on their understanding of social value and create an appropriate culture by (1) creating a strategic plan for social entrepreneurial goals (2) having a commitment to the measurement of social value and (3) ensuring measures are in place that promote accountability.

### **Preview of Chapters**

This study is organized into seven chapters. Chapter two contains the literature review and introduces the various definitions of social entrepreneurship, distinctions between these definitions, a multi-dimensional model of social entrepreneurship and a general construct of the topic. Chapter three gives a historical background of the nonprofit sector, highlighting events that have led to an increased use of entrepreneurial practices by nonprofits. Chapter four develops the conceptual framework of the social entrepreneurship survey for Texas nonprofit organizations using three distinct categories: organizational culture, environmental scanning and operations. Chapter five describes the methodology of the research and operationalizes the conceptual framework. Chapter six discusses the results of the social entrepreneurial survey using simple descriptive statistics, and chapter seven presents a conclusion and summary of the results along with possible avenues of future research.

## **Chapter 2: Understanding Social Entrepreneurship**

### **Chapter Purpose**

The purpose of this chapter is to explore the various definitions of social entrepreneurship, to develop familiar distinctions amongst these definitions and to formulate a social entrepreneurial construct based on these definitions. Being a relatively new concept, the boundaries of social entrepreneurship are not clearly defined. Developing a social entrepreneurial construct can help elucidate the term, paving a way for empirical research.

### **Defining Social Entrepreneurship**

Formulating a definition of social entrepreneurship is important because it helps “bring meaning, draws boundaries and clarifies distinctions (Roberts & Woods 2005, 45).”

Weerawardena and Mort suggest a “substantial controversy remains in the conceptualization of the social entrepreneurship construct (2006, 21).” Others concur stating that despite the recent increase of use, social entrepreneurship has not been mapped properly and is not widely understood (Cheney and Roper 2005; Thompson 2002).

The origin of the term social entrepreneurship is often attributed to Bill Drayton, founder of Ashoka, an organization that supports select social entrepreneurs through funding and support. Ashoka labels social entrepreneurs as “individuals with innovative solutions to society’s most pressing social problems (Ashoka.org).” While Ashoka focuses on how individuals promote social entrepreneurship, the term should not be restricted to individual leaders; organizations can also be ‘social entrepreneurs.’ The question of how to accurately categorize social entrepreneurship is one of great debate. Like any new term without a definitive boundary, social

entrepreneurship is readily being used to represent a myriad of things from innovative organizations, organizations that are strictly nonprofit and those that are not, to individuals who are solving society's most pressing problems.

Can social entrepreneurship be all of these things and more, or does the term need to be limited in its use? This study argues that social entrepreneurship should not be pushed into a categorical corner. Social entrepreneurship is a process of creating social value. Whether a local nonprofit organization creates social value for a local community or a for-profit organization creates social value on a global scale, both represent social entrepreneurship.

### *Contentions*

Some researchers scrap the label social entrepreneurship altogether claiming that the term 'social innovation' is most appropriate because it is grounded in more robust academic literature and its concepts are defined more precisely and consistently (Deiglemeier et al. 2008). Boschee and McClrug agree, but take it a step further, stating that "Unless a nonprofit organization is generating earned revenue from its activities, it is not acting in an entrepreneurial manner. It may be doing good and wonderful things, creating new and vibrant programs: But it is innovative, not entrepreneurial (2003, 1)." The argument has its merit, but entrepreneurship involves much more than solely generating revenue. Entrepreneurship is about risk taking, leadership and solving problems innovatively. Earned revenue is important in the nonprofit sector, but creating social value is ultimately the end goal of a nonprofit organization. Thus, entrepreneurship in the social sector has a different 'bent' than that in the marketplace. Social entrepreneurship is about creating social value more efficiently – by taking risks and solving problems innovatively.

Applying these practices to the social sector is certainly entrepreneurship, just in a different setting.

Defining whether social entrepreneurship should be restricted to the nonprofit sector is still another area of dispute. Are social entrepreneurs in the for-profit sector really businessmen and not social entrepreneurs? David Gergen, professor of public service and director of the Center for Public Leadership at Harvard University's John F. Kennedy School of Government contends, "There are those who believe that social entrepreneurs should by definition be nonprofit. I don't share that view...the issue is how we solve problems, not what form the vehicle takes (Phills 2008)." Gergen's point is taken, but legal status can play a vital role in mobilizing resources and the success of a nonprofit organization (Coates and Saloner 2009). Organizations that are legally classified as nonprofit can find it easier to secure contributions, tax savings and other advantages (Coates and Saloner 2009). Gergen's stance is supported, but because of practicality reasons, and because social entrepreneurship is most often associated with nonprofit organizations, the scope of this study will be directed at registered nonprofit organizations in Texas.

With all the contention surrounding the term, it is no wonder that use of it lacks congruency. A comprehensive analysis can provide insight on the most widely accepted and accurate uses of the term.

### **Social Entrepreneurial Distinctions**

Social entrepreneurship is often equated with business principles as an efficient way to create social value. Social entrepreneurial organizations are inherently business-like (entrepreneurial) and social. They intertwine nonprofit aims and for profit managerial

techniques (Anderson et al. 2002) (Boschee 1998) (Boschee and McClurg 2003).

Conceptualizations of social entrepreneurship that have originated solely from the for-profit sector (i.e. entrepreneurship) “do not capture the unique operational characteristics of nonprofits. In particular, how nonprofits maintain operational efficiency whilst achieving their social mission (Weerawardena and Mort 2006, 22).” Social entrepreneurs have a combination of entrepreneurial qualities and an over arching desire to create social value; a “double bottom line.” They must efficiently attract resources for their organization and bring about social change within the context of a nonprofit entity. They must be skilled at operating under the governance of a board and within the legal requirements of a nonprofit organization.

Some see a double bottom line of social and entrepreneurial value creation as dangerous (Dees 2003). Dees (2003) believes that shifting focus towards profit and away from the mission of an organization (which for nonprofits is normally some sort of social value creation) impedes progress and social impact. This argument fails to take into account that nonprofit organizations, like for-profit entities, must have revenue in order to survive. Without the bottom line of at least sustainability, nonprofit organizations cannot even attempt to create social value. Dees’ (2003) argument that creating social value should have top priority in nonprofit organizations is understood, but profit is what will ultimately allow nonprofits to create that social value.

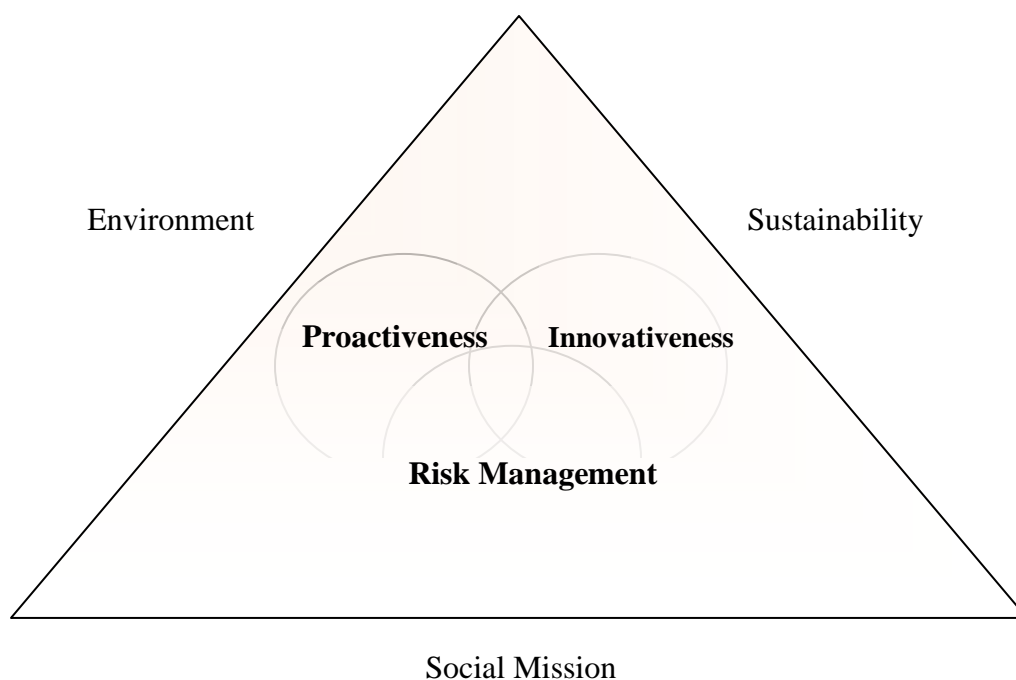
This lack of definitional clarity in regards to social entrepreneurship suggests a fruitful line of inquiry as to just how nonprofits define these terms in practice. It is necessary to draw out distinctions in the literature that appear to be more predominate in social entrepreneurial organizations. We will first look at the multidimensional model of social entrepreneurship developed by Weerawardena and Mort (2006).



## Multidimensional Model of Social Entrepreneurship

Using a grounded theory method Weerawardena and Mort (2006) developed an empirically derived model of social entrepreneurship. The findings of this approach are conceptualized in the multidimensional model, Figure 2.1.

Fig. 2.1 Bounded multidimensional model of social entrepreneurship (Weerawardena and Mort 2006)



Their model sums up social entrepreneurship as “an overall abstraction of innovativeness, proactiveness and risk management within the constraints of environment, sustainability and social mission (Weerawardena and Mort 2006, 32).” These behavioral dimensions are supported by the literature.

*Innovativeness*, the act of introducing something new into an organization, is certainly a thread linking the fragmented literature together (Anderson, Dees and Guclu 2002) (Cheney and

Roper 2005) (Coates and Saloner 2009) (Martin and Osberg 2007) (Roberts and Woods 2005) (Waddock and Post 1991).

*Proactiveness* is a behavioral dimension that helps nonprofits serve their market and grow into the future. An essential component of being proactive is the incorporation of a strategic plan to foster innovation (Weerawardena and Mort 2006). Strategic plans give broad directional framework for the organization (Dees et al. 2001). The next behavioral dimension outlined in the model is the ability to manage risk. While some scholars argue that risk-taking is an essential component of social entrepreneurship (Dees 1998) (Tan et al. 2005), others see social entrepreneurs as cautious and pragmatic (Boschee and McClurg 2003) (Weerawardena and Mort 2006). Regardless, risk is a part of any venture. Social entrepreneurs must take and manage risk effectively; likely more so than organizations that are not using social entrepreneurial programs. Innovativeness, proactiveness, and risk management are all behavioral responses of an organization to the complex environment in which most nonprofits find themselves (Weerawardena and Mort 2006).

As suggested in the introduction of this study, “social entrepreneurship takes on multiple forms, depending on socioeconomic and cultural circumstances (Mair and Marti 2006, 42).” A complex environment forces the social entrepreneurial organization to be “responsive to and constrained by” the organizations ability to sustain itself (Weerawardena and Mort 2006). Weerawardena and Mort (2006) argue that sustainability is an important component of social entrepreneurial organizations. While sustainability is ultimately the art of survival, it also implies the ability to discern what opportunities to pursue and how much risk to take or not to take. Sustainability is maintained by creating social value through opportunity seeking, while managing risk and adhering to the social mission.

However, sustainability is a self-limiting term; it denotes a continued stability. It portrays an organization that ‘gets-by’ and maintains a level of social value creation, growing only when necessary. This label does not capitalize on the progressive, behavioral manifestations of innovation and proactiveness that are so dominant in the literature of social entrepreneurship. Individual characteristics of social entrepreneurs show a propensity for courage, risk taking and management, creativity, and vision (Bornstein 1998) (Boschee 1998) (Boschee and McClurg 2003) (Cheney and Roper 2005) (Dees 1998) (Marosits 2005) (Martin and Osberg 2007) (Roberts and Woods 2005) (Tan et al. 2005) (Weerawardena and Mort 2006). These are hardly characteristics of an organization that is just looking to ‘maintain.’ For purposes of this study sustainability will be left out of the social entrepreneurship construct.

Similar to entrepreneurs in the for-profit sector, social entrepreneurs possess certain qualities that distinguish them from others. Social entrepreneurial organizations are more likely to be successful if they are comprised of individuals with strong entrepreneurial and leadership qualities like charisma, courage, fortitude, innovation and vision (Anderson et al. 2002) (Boschee 1998) (Barendsen and Gardner 2004) (Bornstein 1998) (Cheney and Roper 2005) (Marosits 2005) (Martin and Osberg 2007) (Roberts and Woods 2005). However, this focus on individual traits alone does not reflect the competitive environment in which social entrepreneurs operate and is only one segment of the social entrepreneurial construct (Weerawardena and Mort 2006) (Mair and Marti 2006, 42). A broad, holistic view of the social entrepreneur and social entrepreneurship should be used to create the social entrepreneurial construct.

## **The Social Entrepreneurship Construct**

Drawing from the foregoing discussion, social entrepreneurship can be defined as:

*An organization that effectively (using business management strategies) achieves its social mission by being innovative, proactive and competent at taking on and managing risk. This is all done within the constraints of a complex environment which promotes opportunity recognition and the need for continued creation of social value.*

Thus, by outlining the social entrepreneurship construct in this manner, any nonprofit (if willing to change) can adopt principles and practices that increase social value.

## **Social Value**

Social value or social impact is the gauge of success of nonprofit organizations. Social entrepreneurs look for a long-term social return on investment. They want more than a quick hit; they want to create lasting improvements, or social value (Dees 1998). An example of social value creation in the case of a social service organization could be a decrease in the number of people who are homeless. The less homeless people on the streets in the organization's service area, the more successful the organization is at creating social value. An organization that is proactive finds innovative ways to take on new opportunities to create social value.

## **Innovation**

Being innovative is tackling a problem with a unique and untraditional method. For example, say a ministry needs additional funds to send qualified staff to a third-world country to help alleviate malaria. Instead of asking the government for a grant or its' donors for extra donations, the organization begins selling a DVD copy of its Wednesday night mass. The

thought is that because there is always a guest speaker, the members of the church will be more likely to purchase it. The extra revenue gathered from the proceeds pay for the cost of the DVD and for the staff to go to the third world country. In this example an innovative approach has ultimately led to an increase in social value. There are certain risks to being innovative and successful nonprofit organizations must not only take on new opportunities, they must manage the risks associated with these new activities.

### **Risk Management**

Muhammad Yunus, winner of the Noble Peace Prize and founder of Grameen Bank, is a perfect example of a person who took risks and managed them successfully in order to create social value. Yunus recognized a need for credit among the poor rural women of India and he implemented an innovative system of lending to make his vision a reality. The result was a promising and successful venture that has expanded all around the globe. However, his pursuit was not without problems. Many large banks said he would never receive payment for loans that he paid out, others said his idea was only applicable to India, and still others questioned his empowerment of women (Anderson et al. 2002). Despite the naysayers, Yunus took the risks as challenges and created a great model for other social entrepreneurs in the area of microcredit.

### **Chapter Summary**

The social entrepreneurial construct outlines the most notable traits among organizations that are taking on social entrepreneurial activities. Managers will fare well to understand the implications that social entrepreneurship can have on their organization and the nonprofit sector

as a whole. The historical perspective covered next will highlight why there is a demand for social entrepreneurship and the importance of adaptability in management techniques.

## **Chapter 3: History of the Nonprofit Sector & Management**

### **Chapter Purpose**

The purpose of this chapter is to explore the historical background of the nonprofit sector. The historical perspective includes the political and managerial policies and practices that have lead to increased prominence and need for social entrepreneurship. Research shows that the implementation of social entrepreneurial programs is a reaction to a complex environment that promotes opportunity recognition and the need for the creation of social value.

### **The Nonprofit Sector**

The nonprofit sector, sometimes called the voluntary, independent or third sector, is the social set of organizations, institutions and individuals which exist to serve the social good. The first examples of voluntary care developed for practical reasons. Primitive societies required community members to share in the roles of gathering food, hunting and providing shelter (Block 1990). These communities developed before government structures when people had to tackle problems on their own because there were no institutions in place to help deal with common concerns (Salamon 1999). Charitable giving is also thought to have its roots in religious doctrines and ideologies which advocated compassion, giving and personal sacrifice (Block 1990). Nonprofit organizations today can trace their evolution from these early precepts of giving and taking care of community needs (Block 1990).

America can trace its historical roots of voluntary association and sector activity to Elizabethan England and royalist France. These practices of charitable giving were brought to the United States. However, in America, even with the advent of nonprofit laws and other

government structures in the late 19<sup>th</sup> century, citizens were reluctant to use the government because of the fear of the rebirth of monarchies and bureaucracy (Salamon 1999). Indeed, American history textbooks from the 1920s and earlier hardly mentioned the nonprofit activities that many organizations were taking on (Til and Ross 2001).

It was not until the “Golden Age of Philanthropy” that large scale voluntary sector institutions and individuals such as Andrew Carnegie and John D. Rockefeller began giving out fortunes to libraries, churches and universities (Scott 1988). These two tycoons paved the way for organized, corporate giving (Block 1990). It was also around this time that settlement homes, homes situated in poor neighborhoods that served to help communities improve their situation, began to develop. Many of the homes were modeled after the Toynbee House settlement in England, including Hull House in Chicago, the Neighborly Guild in New York, South End House in Boston and Northwestern University Settlement House in Chicago (Block 1990). The period of greatest growth for the nonprofit sector was shortly after World War II, with 90% of nonprofit organizations that are currently in existence founded in this period (Scott 1988).

After the war and congruent with the rise of the counter culture of the late 1950s and 1960s, the nonprofit sector began to flourish. It was around this time that the business sector began to integrate social science into their management practices. “The development of the management field from the early 20<sup>th</sup> century until the 1970s blended the concerns of the founders of scientific management efficiency and the concerns of the human relations behavioralists with the needs of the workers” (Block 1990, 107). This concern with humanistic needs “may explain the climate of the period which supported the creation of tax exempt legislation that gave definition to the contemporary charitable, 501(c)(3) organization (Block



1990, 108).” The 1954 establishment of Section 501 of the Internal Revenue Code clarified boundaries and management responsibilities between the three sectors (Block 1990).

Nonprofit managers were now subject to the “operational and organizational tests.” Executives of nonprofit organizations were required to not only show that the organization was meeting tax exempt status, but that the organization’s resources were being directed at the causes outlined in the articles of incorporation (Block 1990, 109). These tests may help explain why nonprofit organizations are hesitant about adopting social entrepreneurship. Implementing social entrepreneurship programs without careful consideration of legal implications could potentially distract an organization from its social mission and exclude it from tax exemption.

After the creation of the tax exempt status, the total number of nonprofit organizations skyrocketed. Private contributions began to drop in comparison to government funding and reliance of nonprofit organization on government funding increased. The 1980’s saw a cutback in government funding and forced nonprofit organizations to rethink their operating strategies. Growing out of the management philosophy of the business sector, which was generalized to public administration management as well, nonprofit managers began experimenting with methods of securing funds outside of contributions and grants.

Being in a position of dependency on private donors and government support, nonprofits must keep changing their operations to capitalize on dollars instead of focusing on what they do best. The fluctuation of resources is indicative of the need for nonprofit management techniques to capitalize on multiple sources of funding.

## Chapter Summary

This history highlights the impermanent nature of the sector. Social entrepreneurship is part of the evolution of the nonprofit sector. But as with many evolutionary processes the old ways of doing things are slow to change. Nonprofit managers, board members and other stakeholders may not be open to this change (Werther and Berman 2001). Change in the direction of social entrepreneurship may be resisted because of the inability of stakeholders to change, but that does not mean that management should not try. Managers should pay careful attention to what stakeholders want and need and they should formulate their activities so they align with these needs. Communication, including suggestions and feedback from clients, employees, funders and other constituents can help increase organizational efficiency and the stakeholders' willingness to support social entrepreneurial type activities (Werther and Berman 2001).

The conceptual framework developed in the next section describes how nonprofit organizations have implemented social entrepreneurship into their organizations. Organizations that have been affected by variations in funding, government cutbacks and other external changes seem to have seamlessly, yet purposefully adopted social entrepreneurial type activities (Eikenberry and Kluver 2004). The conceptual framework is a useful tool that gives direction on how to collect and analyze data and can help the researcher discern “what belongs where” from the literature (Shields and Tajalli 2006).

## **Chapter 4: Conceptual Framework**

### **Chapter Purpose**

The conceptual framework will outline differences between nonprofits that engage in social entrepreneurial activities and those that do not. The conceptual framework consists of three sections: organizational culture, environmental scanning and operations.

### **Conceptual Framework**

Social entrepreneurial organizations match nonprofit management strategies with innovative techniques to increase social value. Organizations that engage in social entrepreneurship have a unique organizational culture, practice environmental scanning, and are astutely aware of the organizations need for operations that effectively utilize resources. In order to describe how Central Texas nonprofits are utilizing social entrepreneurial practices a conceptual framework is developed (see Table 4.1).

**Table 4.1: Conceptual Framework**

<b>Descriptive Categories</b>	<b>Literature Sources</b>
<p><b>Organizational Culture</b> Social entrepreneurial nonprofit organizations achieve their social mission by:</p> <ul style="list-style-type: none"> <li>a. Using entrepreneurial practices and principles in their organization</li> <li>b. Creating social entrepreneurial goals</li> <li>c. Consistently measuring social impact or social return on investment (SROI)</li> <li>d. Practicing a “Heightened” accountability</li> </ul>	<ul style="list-style-type: none"> <li>a. (Dees 1998) (Dees et al. 2001, 49) (Wang 2010) (Weerawardena &amp; Mort 2006)</li> <li>b.(Alvord et. al 2002) (Martin &amp; Osberg 2007) (Anderson, Dees &amp; Guclu 2002)</li> <li>c. (Boyd 2004) (Dees 1998) (Dees et al. 2001) (Werther &amp; Berman 2001)</li> <li>c. (Dees et al. 2001) (Herzlinger 1996)</li> </ul>
<p><b>Environmental Scanning</b> Social entrepreneurial nonprofit organizations achieve their social mission by:</p> <ul style="list-style-type: none"> <li>a. Recognizing and accessing new opportunities</li> <li>b. Using “business” methods and formulas to analyze opportunities</li> </ul>	<ul style="list-style-type: none"> <li>a. (Anderson et al. 2002) (Martin &amp; Osberg 2007) (Mort et. al 2003) (Roberts &amp; Woods 2005) (Waddock &amp; Post 1991)</li> <li>b. (Weerawardena &amp; Mort 2006)</li> </ul>
<p><b>Operations</b> Social entrepreneurial nonprofit organizations are effective when they:</p> <ul style="list-style-type: none"> <li>a. Use a business model/plan when taking on new opportunities</li> <li>b. Mobilize resources for social entrepreneurship</li> <li>c. Diversify income to support social entrepreneurship</li> <li>d. Manage risks associated with social entrepreneurship</li> </ul>	<ul style="list-style-type: none"> <li>a. (Anderson et al. 2002)</li> <li>b. (Anderson et al. 2002) (Dees et. al 2001) (Thompson 2002) (Werther &amp; Berman 2001)</li> <li>/c. (Martin &amp; Osberg 2007)</li> <li>d. (Boschee &amp; McClurg 2003) (Boschee 1998) (Mort et al.) (Weerawardena &amp; Mort 2006)</li> </ul>

## **Organizational Culture**

The culture of a nonprofit organization is dependent upon the pattern of shared values and beliefs that lead to certain norms of behavior (Werther and Berman 2001). Properly shaping beliefs is imperative to an organization that expects to adopt social entrepreneurial activities. One of the most important components of a nonprofit organization is its mission statement. The social mission for an organization is “Why they do what they do, a reason for being, purpose (Dees et al. 2001, 19).” The social mission explains what sort of social value an organization intends to create.

For example, the mission statement for First Book, a nonprofit organization that promotes literacy is: *First Book provides new books to children in need addressing one of the most important factors affecting literacy – access to books.* The best measure of success for social entrepreneurs is not how much profit they make but the extent to which they create social value (Dees et al. 2001). In the case of First Book, this social value, literacy, is outlined in the mission statement. Simply creating a mission statement does not ensure an organizational culture that will support social entrepreneurship. Mission statements are simply guides; they lead the organization in the right direction but are only superficial. Leaders must mold the culture in a way that is most beneficial to reaching the social mission, and this means consistently refining operations to successfully reach social goals.

## **Implementing Social Entrepreneurial Activities**

In nonprofit organizations, the culture is deeply influenced by multiple stakeholders who shape the direction of the organization. The ability to pursue the organization’s social mission while balancing the interests of multiple stakeholders is the one of the key components of social

entrepreneurs (Mort et al., 2003). The executive director must maintain a harmony and balance amongst volunteers, donors, staff and board members if they hope to breed a culture that embraces innovation, risk-taking and other social entrepreneurial values (Werther and Berman 2001). A study by Alvord et al. supports this notion, finding that successful social entrepreneurs have a “bridging-capacity that enables them to work effectively across many diverse constituencies (2004, 145).” When leaders have nurtured a culture that is open to taking on risks, stakeholders can be ‘sold’ on new ideas, revenue goals can be set for social entrepreneurial activities, and resources can be geared at measuring social impact.

### **Setting Goals**

Nonprofit organizations that utilize social entrepreneurial practices are shown to have a strategic social entrepreneurial plan that consistently maintains and creates social value through results driven operating strategies (Dees et al. 2001) (Weerawardena and Mort 2006). While vision defines what a nonprofit organization strives toward and mission defines what activities a nonprofit will do, *strategy* addresses how an organization will go about its efforts (Werther and Berman 2001). Strategy is simply setting goals, choosing the best method for reaching these goals and implementing a plan for reaching them.

A strategic plan is the road map for an organization; it gives clarity of direction and is critical for success (Dees et al. 2001). A prior study of Texas school districts shows that organizational performance is directly impacted by management’s ability to develop strategies that align itself with the environment (Wang 2010). As well, “it is consistently found in studies of nonprofit organizations that boards’ strategies, structures, working processes, or even reputations are associated with organizational performance (Wang 2010, 11).” Strategies and goals are crucial to success in an organization that is taking on social entrepreneurial activities;

however, it is not enough to simply set goals. Measuring the effectiveness of the organization at reaching goals will help the leadership discern the viability of their original plan, it can reveal goals that are beyond reach and can provide stakeholders with a tangible update on an organizations progress.

### **Measuring Impact**

Nonprofits that incorporate social entrepreneurial practices into their organizations not only effectively create social value but they regularly measure their impact or *social return on investment* (SROI) (Dees 2001). Measuring social value helps an organization look back and evaluate how well they have reached their objectives. Also, it helps an organization to look forward and plan for the future (Boyd 2004). Being able to effectively communicate success (social value) is important when dealing with stakeholders. It holds the leaders of the organization accountable; an essential component of the social entrepreneurial organization (Dees et al. 2001).

Yet, measuring social value is not as straightforward as it may seem. Contrary to the business sector where profit is the ultimate sign of success, nonprofit organizations do not have a consistent visible indicator to signal success or failure. Social value cannot be cornered into a “one way fits all box” for nonprofit organizations. Success varies upon the goals of the organization. The market does not do a good job at clarifying success either. Remarking on the inability of the market to value social improvements Dees says:

*“How much social value is created by reducing pollution in a given stream, by saving the spotted owl, or by providing companionship to the elderly? The calculations are not only hard but also contentious. Even when improvements can be measured, it is often difficult to attribute any of them to a specific intervention. Are the lower crime rates in an area due to the Block Watch, new policing techniques, or just a better economy (1998, 3)?”*

He goes on to explain that even when improvements are measurable it is hard to attribute them to specific interventions. With all the problems facing measurement of social value creation, the ultimate indicator of fulfilling an organizations social mission, how can nonprofit organizations verify the impact of social entrepreneurship? The measuring of social impact is not standardized throughout the nonprofit sector. Organizations must assess their own social impact through measures unique to their particular service.

For example, Rubicon Enterprises is a nonprofit organization that provides employment and training to low-income workers, many of whom were formerly homeless. Rubicon has a careful, deliberate way of measuring its social impact; they call it CICERO (Consumer Information Collection, Entry and Reporting for Organizations). They look at things like income, wage progression, job advancement, substance abuse, housing stability, and economic self-sufficiency. With these factors in mind, Rubicon can, “estimate how many people it has helped to make the transition out of homelessness, and how much this saves public systems in terms of reduced costs associated with hospitalization, incarceration, housing needs, and public assistance (Bell-Rose 2004).” Parrett paper, a nonprofit which provides employment to disabled people, calculates SROI by adding up wages its employees receive and the associated cost reductions in outpatient health care services (Bell-Rose 2004).

Jumpstart, a national organization that recruits and trains college students to mentor preschoolers, uses a performance tool called the Balanced Scorecard (Bell-Rose 2004). The Balanced Scorecard is an analytical tool that has been used by a number of NGO’s, libraries and government agencies including: The University of Virginia Library, Duke Hospital, the City of Charlotte, and the department of Housing and Urban Development (HUD) (Lloyd 2005). The Balanced Scorecard gives “timely feedback about internal processes and external outcomes by



breaking down an organizations activities and goals into several categories such as social impact, finances, operations, growth and learning and partnerships (Bell-Rose 2004).”

All of the aforementioned metrics are used to improve effectiveness and to move the organization’s agenda forward. There are a variety of ways in which to calculate progress. Success in the nonprofit sector is possible without measuring impact, but effective organizations have specific organizational metrics in place to calculate their social return on investment (SROI) and their overall impact on society. Calculating SROI can give stakeholders a better assessment of how values and needs are being met by an organization’s operating strategies

### **Heightened Accountability**

Accountability entails “a trust we are given and one that we must fulfill by both communicating our experience to those outside our organization and responding to feedback provided by others (Emerson 2001, 104).” The nature of the nonprofit sector does not promote a system of checks and balances that hold organizations accountable. Herzlinger (1996) outlines accountability measures that nonprofits lack but businesses have. With reports of nonprofit organizations being ineffective, taking on excessive risk, and over compensating their leaders, Herzlinger contends that nonprofits naturally don’t have (1) “The self-interest that comes with ownership, (2) the competition that would force efficiency, (3) and the ultimate barometer of success, the profit measure (Herzlinger 1996).”

The absence of natural accountability measures place the nonprofit organization in a unique position of self regulation. It must proactively seek out means of accountability. A social entrepreneurial organization should have external and internal measures of accountability. It must effectively communicate and connect with its’ various audiences and stakeholders (by implementing organizational structures like community committees and policy statements) while

ensuring that its policies are aligned with the internal mission of the organization. It can also ensure accountability by creating processes to ensure that stakeholders can voice their reactions (Emerson 2001).

This “heightened” sense of accountability is necessary for organizations that are taking on social entrepreneurial activities. Social entrepreneurial activities are innovative pursuits that are risky and require support from all stakeholders. Being unaccountable could inhibit support and would be detrimental to an organization looking to capitalize on new social entrepreneurial opportunities.

### **Environmental Scanning**

Seeking and responding to changes in an environment includes recognizing and exploiting opportunities in a proactive manner. Mort et al. state that “opportunity recognition and exploitation are constructs that fall squarely within the unique domain of entrepreneurship (2003, 78).” In the business world, Austrian economist Joseph Schumpeter sees entrepreneurs as agents of change, while Peter Drucker sees entrepreneurs as exploiters of change (Martin and Osberg 2007). Regardless, social entrepreneurs are change makers. Like business sector entrepreneurs, social entrepreneurs are proving to be vital at bringing about fresh, creative ideas and passion to the nonprofit sector (Dees 1998).

### **New Opportunities**

Looking at the nonprofit sector, Anderson et al. suggest that opportunities in nonprofit organizations “have to be conceived, developed, and refined in a dynamic, creative, and thoughtful process (2002, 1).” They go on to contend that personal experience [of social entrepreneurs], social needs, social assets, and change can give the organization ideas, but it is the responsibility of the social entrepreneurial organization to have an “opportunity-oriented

mindset” that seeks out these opportunities (Anderson et al 2002, 5). With the opportunity-oriented mindset, social entrepreneurs listen to the voice of the community and respond, making opportunity “the heart of the entrepreneur’s activities (Thompson 2002, 413).”

Dees et al. (2001) provide a valuable tool for evaluating new opportunities. Their framework (adapted from William D. Bygrave, *The Portable MBA in Entrepreneurship*) teaches social entrepreneurial organizations how to evaluate the social value potential, market potential and the sustainability of opportunities. Social entrepreneurs need to know their customers. Not just the clients they serve, but all stakeholders (Dees et al. 2001). They must make sure that the opportunity aligns with the strategic plan and is likely to achieve the desired results. As well, they need to be sure the opportunity meets the market demand for both customers and funders (Dees et al. 2001).

Dees et al. (2001) contend that social entrepreneurs examine the market to ensure there is user need and desire for the opportunity that the organization will be providing. More so, there has to be sufficient market share and interest in the idea by foundations and corporate giving circles. Being aware of these indicators is important to help minimize the risk associated with new activities. Weerawardena and Mort (2006) describe proactiveness as a behavioral dimension that helps social entrepreneurial nonprofits to serve the market and grow into the future. Once a viable opportunity is spotted, significant analysis should be undertaken in order to determine if the organization has sufficient resources to successfully take on the new project.

### **Analysis of Opportunities**

Like for-profit enterprises that use market tools to analyze their prospects for success in a new venture, so should nonprofit organizations that are taking on social entrepreneurial

activities. Part of being able to decide whether or not an opportunity is worth taking on involves hiring the right people. Nonprofit organizations should “recruit and develop staff with business skills and a pragmatic social purpose with a special passion for their work (Weerawardena and Mort 2006, 33).” Once the right people are in place with the skills necessary to evaluate opportunities, they should collect enough information about market potential, achievable results and sustainability. Not doing so could be harmful to an organizations health (Dees et al. 2001).

Simple questions like the following can superficially rule out opportunities that are not right for the organization: (1) is there a demand for this opportunity? (2) Does it align with our social mission? (3) And is there market and sustainability potential? More thorough tests like market analysis and cost-benefit analysis (by employees qualified to conduct them) can reveal new opportunities that put a limited amount of risk on the organization (Dees et al. 2001). Part of evaluating and assessing opportunities requires understanding if the organization has the operational capacity to handle it. Are there resources available (both long and short term) and is it worth the risk to put the extra burden on operations?

## **Operations**

*“Too many nonprofit organizations are financially stagnant, raising and distributing funds the same way they have for decades .... A nonprofit that is run for profit sounds like a contradiction in terms. But it doesn’t have to be.”*

*Bill Shore (from Revolution of the Heart)*

The social sector has undergone tremendous change in the last few decades. Gone are the days of easy money from the government and foundation grants. These funds now come with strings attached and accountability is required and enforced (Dees et al. 2001). Social

entrepreneurial organizations are experimenting in market-based approaches to social needs, using an engaged strategic approach to mobilize resources, diversify funding and manage risks.

### **Business Plan**

Using a business plan in the nonprofit sector may sound like a contradiction, but it doesn't have to be. A business plan can be useful in the social sector, and both the process and resulting documents can be incredibly powerful change agents for an organization (Dees et al. 2001). Of course, like the mission statement or any other written statement, success is not simply formulating a statement or developing an abstract document. Success is a process that requires action and constant verification that plans are being followed. Dees et al. (2001) mentions that a business plan and more specifically the *process* of creating a business plan creates clarity in direction, real knowledge about the organization and its marketplace, a commitment from the stakeholders and energy that can be useful for spurring action. The plan is ultimately a prompt for "identifying, evaluating and acting on opportunities" by making sure the appropriate resources are in place (Dees et al. 2001).

### **Mobilizing Resources**

Enterprise in the nonprofit sector may seem unethical or even unnecessary. It is said that the nonprofit organization exists to provide a social need, not make a profit. Excess funds cannot be distributed to shareholders and unrelated activities can lead to a change in tax exempt status. Yet, "most nonprofits face more demands on their resources than their limited funds can address (Werther and Berman 2001, 57)."

With that in mind, the questions social entrepreneurial nonprofits ask is how can they effectively mobilize resources, not just capital, but suppliers, workforce, and beneficiaries (Dees et al. 2001)? Thompson (2002) outlines a four step entrepreneurial process. Enabling resources

is the third key contribution in the process. Enabling is “ensuring something happens by acquiring the necessary resources, such as people and money and, if necessary, premises (2002, 416).”

A social entrepreneurial organization mobilizes multiple resources in order to shed the ‘financial and operational weight’ off of their organization. When taking on new opportunities these organizations must manage risk by mobilizing the appropriate resources. If a nonprofit is constantly strapped for funds, it needs to find other ways to pursue its social mission. As Werther & Berman mention “ultimately the nonprofit must deliver results...resources play a crucial role [in achieving results] (2002, 25).” “The challenge is converting an initially appealing idea into a worthwhile opportunity...the chances of success are significantly increased if there is an effective operating model, and a viable resource strategy (Anderson et al. 2002, 6).” Skills, charismatic leaders, ideas, relationships, and past performance reports are all sources of intangible resources that can help create social value. Ultimately all partners, suppliers and contractors and volunteers should be viewed as potential resources (Dees et al. 2001). This is where the proactive, creative-out of the box mindset of the social entrepreneurial organization helps it to seize opportunities that most nonprofits might not see.

### **Diversifying income**

The sole purpose of mobilizing resources is to secure a diversity of income sources. Organizations that do not have multiple sources of income are limited in their outcomes. “Their service area stays confined to a local population, their impact remains constrained, and their scope is determined by whatever resources they are able to attract (Martin and Osberg 2007).” This makes the organization vulnerable and dependent on major funders. If funders cutback or

stop funding altogether, the organization and more importantly, the people who depend on the services are in trouble.

## **Managing Risk**

With all that being said, risk is a large part of social entrepreneurship. In order to explore new opportunities, leaders must be willing to take on some risk, but more importantly they must be effective at managing it (Boschee and McClurg 2003) (Weerawardena and Mort 2006) (Mort et. al 2003). When pursuing new opportunities and resources, the board and executive director need to explore the potential possibilities before they dive in. Werther and Berman (2001) suggest the importance of the board and board committees in regulating risk. Boschee agrees, saying the board must take risks:

*“The fact is, some earned income strategies will fail. Unless the board is willing to accept that fact and take some chances, it should not proceed at all! And the board must also be willing to take a longer view: Too many board members still think in terms of "cost" rather than "investment," and they're reluctant to proceed unless they can see a rapid return (Boschee 1998, 7).”*

Yes, social entrepreneurial organizations need to be cautious and pragmatic, but the strength of the board should be the ability of it to discern viable opportunities for positive growth from poor ones. Board committees such as the development/fundraising committee are an important part of managing resources and securing additional funds (Werther and Berman 2001). These questions can help a social enterprise (adapted and amended from Crimmins and Keil 1983, 80):

1. Is the new partnership, opportunity, or project a viable option for the organization?
2. Is it a part of its mission or part of a movement toward self sufficiency?
3. How can the opportunity be presented to the community in order to attract its support?
4. Who will be in charge of the new opportunity?

The third question above is especially important for social entrepreneurs in the nonprofit sector. Can the stakeholders be sold on the idea? Is it addressing the social needs and wants of the community and will it create social value? The power of social entrepreneurship is in the asking of these questions. Social entrepreneurship forces the organization to evaluate all of its goals in regards to creating social value. The more social value created, the better off society will be.

### **Chapter Summary**

Given the nature of the nonprofit sector, it would make sense for executives to strategically adopt social entrepreneurial practices into their organization. Despite popular thought, social entrepreneurship is not restricted to new and upcoming organizations with innovative techniques, nor is social entrepreneurship defined by individual traits. A focus on individual traits does not reflect the environment in which social entrepreneurs operate. Instead, social entrepreneurship is plausible for any organization that focuses its efforts on the practices outlined in the conceptual framework: creating a culture that supports social entrepreneurship, proactively scanning the environment for opportunities, and by handling their operations and resources in a careful, but intelligent manner. The next section will introduce the social entrepreneurship survey administered to nonprofit organizations.



## **Chapter 5: Social Entrepreneurship Survey Methodology**

### **Chapter Purpose**

This section provides information on the methodology or techniques used to gather information on nonprofit organizations with social entrepreneurial programs; the strengths, and weaknesses of the techniques selected; the population and sampling selection; and the statistics used to gather the information and organize the results of the study. The chapter also includes the operationalization of the conceptual framework.

### **Research Technique – Methodology**

Survey research will be directed at registered nonprofits in Texas. The questions administered will follow the conceptual framework categories developed in Chapter 4. As advocated by Patricia M. Shields, PhD, the questionnaire was developed from the categories and the literature review (Shields 1998). The use of categorical components can be helpful when communicating the results of survey research. Results of survey research can often be “incoherent or frustrating to read (Shields 1998, 214).” This occurs when “the little picture overwhelms the big picture; the trees are in focus, but not the forest (Shields 1998, 214).” Survey research conducted with categorization can help organize the data and thus make it easier to communicate results.

The social entrepreneurial survey contains questions in the three descriptive categories: organizational culture, environmental scanning and operations. The questions in the social entrepreneurship survey include an open ended question, statements for agreement or disagreement, and ratings of important topics. Being able to set up the survey in this manner supports the notion by Babbie (2004) that surveys provide a great amount of flexibility in questionnaire design. Responses to the survey questions will provide the researcher with a good

description of if, how, and why nonprofits in Texas are capitalizing on the new trend of social entrepreneurship.

### **Strength and Weaknesses of Survey Research**

Survey research has its strengths and weaknesses. Surveys can potentially gather responses quite quickly; they normally have high reliability and are one of the best methods available to researchers who are collecting data for a large population (Babbie 2004). On the other end, surveys cannot be changed once sent out, the survey must be broad enough to apply to the entire sample, and the researcher must ensure that a large number of the selected sample will reply (Babbie 2004).

### **Population**

The population for the study is nonprofit organizations in Texas. The sampling frame is acquired from the Charity Navigator directory of nonprofits in Texas. The sampling frame is not fully representative of all nonprofits in the state of Texas, but represents a mix of large, well-established and registered 501(c)(3) charities. The sample from Charity Navigator includes only nonprofits that are not exempt from filing form 990 with the IRS. As well, the organizations must have over \$500,000 in public support in the most recent fiscal year and they must have been in operation for over four years.

These restrictions rule out less-established nonprofit organizations, most religious type organizations and smaller institutions. With social entrepreneurial type organizations having a unique organizational culture and a track record of taking on new opportunities, seasoned, well funded organizations (compared to newly formed ones) will serve as a more appropriate sample for the study.

## **Statistics**

Given the methodology, simple descriptive statistics will summarize the findings of the surveys. Descriptive statistics can quantify the main features of nonprofit organizations of Texas in regards to social entrepreneurship. This data can be used for comparative purposes in further research and can be generalized and adopted for larger populations. However, it should be noted that describing a large sample with a single indicator can cause a distortion of the data. Descriptive statistics should be analyzed and summarized carefully in order to not make this error.

## **Operationalization of Conceptual Framework**

The operationalization of the conceptual framework table includes survey questions that correspond with the descriptive categories (See Table 5: Operationalization of Conceptual Framework). For example, to obtain information on the use of social entrepreneurship in nonprofit organizations operations, the following statement was included in the survey: *Your organization considers the impact social entrepreneurial programs will have on other funding sources*. The survey instrument asks the organization to select: strongly disagree, disagree, unsure, agree, strongly agree, or not applicable. Other closed-ended questions were asked in the survey along with one open-ended question.

**Table 5.1: Operationalization of Conceptual Framework**

Descriptive Categories	Survey Questions
<p><b>Organizational Culture</b>            Social entrepreneurial nonprofit organizations achieve their social mission by:</p> <ul style="list-style-type: none"> <li>a. Using social entrepreneurial practices and principles in their organization</li> <li>b. Creating social entrepreneurial goals</li> <li>c. Consistently measuring social impact or social return on investment (SROI)</li> <li>d. Practicing a “Heightened” accountability</li> </ul>	<p>a. Does your organization use social entrepreneurship?            Yes or No</p> <p>a.1. If you answered yes to question 1, please briefly describe the social entrepreneurial activities of your organization.</p> <hr/> <p>b. The ‘Triple Bottom Line’, being accountable to people, planet and profit, is important to your organization.</p> <p>Strongly Disagree, Disagree, Unsure, Agree, Strongly Agree</p> <p>Your organization sets specific goals for social entrepreneurial activities?</p> <p>Strongly Disagree, Disagree, Unsure, Agree, Strongly Agree</p> <p>c. Does your organization calculate social return on investment (SROI)?            Yes or No</p> <p>d. Do community residents serve on advisory committees or boards specific to social entrepreneurship?            Yes or No</p>
<p><b>Environmental Scanning</b>            Social entrepreneurial nonprofit organizations achieve their social mission by:</p> <ul style="list-style-type: none"> <li>a. Recognizing and accessing new opportunities</li> </ul>	<p>a. Your organization actively seeks out social</p>

<p>b. Using “business” methods and formulas to analyze opportunities</p>	<p>entrepreneurial programs</p> <p>Yes or No</p> <p>b. Hiring management and staff with business skills and experience is an important component of your human resource strategy?</p> <p>Strongly Disagree, Disagree, Unsure, Agree, Strongly Agree</p> <p>Does your organization conduct market analyses prior to initiating or expanding a social entrepreneurial program?</p> <p>Yes or No</p> <p>Does your organization conduct cost-benefit analyses prior to initiating or expanding a social entrepreneurial program?</p> <p>Yes or No</p>
<p><b>Operations</b> Social entrepreneurial nonprofit organizations are effective when they:</p> <p>a. Use a business model/plan when taking on new opportunities</p> <p>b. Mobilize resources for social entrepreneurship</p> <p>c. Diversify income to support social entrepreneurship</p> <p>d. Manage risks associated with social entrepreneurship</p>	<p>a. Does your organization create a business model/plan for its social entrepreneurial programs?</p> <p>Yes or No</p> <p>Not applicable</p> <p>b. Does your organization assign volunteers to support social entrepreneurial programs?</p> <p>Yes or No</p> <p>Not applicable</p> <p>c. Having a diverse funding mix is important to your organization.</p> <p>Strongly Disagree, Disagree, Unsure, Agree, Strongly Agree</p>

	<p>d. Does your organization conduct risk assessments for social entrepreneurial programs?</p> <p>Yes or No</p> <p>e. Your organization considers the impact social entrepreneurial programs will have on other funding sources?</p> <p>Strongly Disagree, Disagree, Unsure, Agree, Strongly Agree</p>
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### *Evaluation of Responses to Survey*

A five-point Likert scale (Babbie 2004, 245) is used to evaluate the responses to five of the social entrepreneurial survey questions related to each of the sub-categories. Responses are evaluated in terms of the mode and percentage of responses that fell into the Strongly Agree and Agree choices. Responses to ‘Yes or No’ questions are evaluated as a simple percentage.

### *Survey Open-Ended Question*

The social entrepreneurial survey contains one open-ended question. The question requests information from the nonprofit organizations regarding the type of social entrepreneurial activities they are involved in. Analysis of the open-ended question: *please briefly describe your social entrepreneurial activities*; reveals mixed opinions on what the organizations believe social entrepreneurship is.

### **Human Subjects Protection**

Since the proposed research includes surveys, human subjects’ protection should be carefully considered. Ethical problems can stem from involuntary participation, harm to

participants and anonymity/confidentiality (Babbie 2004). To ensure participation is voluntary, surveys are e-mailed with a full description of the research purpose, a statement on how the research will be used and a statement highlighting the voluntary nature of the survey. It is also noted that non participation will not cause any sort of benefit to those contacted, nor will participation reap any sort of reward. Survey collection is done by the individual researcher and individual responses are not shared with others.

### **Chapter Summary**

This chapter provided an explanation of the techniques used to gather data on how and why nonprofit organizations in Texas are using social entrepreneurial programs. The next chapter analyzes and discusses the results of the social entrepreneurial survey and the implications of those results.

## Chapter 6: Social Entrepreneurial Survey Results

### Chapter Purpose

The purpose of this chapter is to present the results of the social entrepreneurial survey. A description of the returned survey, a definition of social entrepreneurship, general observations and a summary of the results according to each of the three categories will be outlined. In addition, the chapter provides a summary of the open-ended question regarding how the surveyed organizations believe they are using social entrepreneurship.

### Description of Returned Surveys

The social entrepreneurial survey received 22 total responses from nonprofit



organizations out of a total possible 230 nonprofit organizations. The response rate is lower than expected, but still provides a unique look at how Texas nonprofit organizations are using social entrepreneurship. Over half of the respondents (59%) replied that their organizations use social entrepreneurship in some way or another. To limit

ambiguity for this question, social entrepreneurship was defined as *an organization that utilizes business principles and entrepreneurial strategies to achieve their social mission*. The subsequent questions in the survey were designed so that those organizations that answered no to using social entrepreneurship were still able to answer without influencing survey results. For example, the statement: *Your organization has set methods for assessing and analyzing risks*



*associated with social entrepreneurial activities*, allows for an ‘opt-out’ choice of not applicable in addition to the five-point likert scale. Other questions such as: *Having a diverse funding mix is important to your organization*, were applicable to all respondents and thus were displayed without an ‘opt-out’ option.

### **What Social Entrepreneurship Is**

The results of the survey reveal that social entrepreneurship fits the definition developed in chapter two. Nonprofit organizations in Texas are effectively achieving their social mission by using business management strategies. Thrift stores are being opened to fund ministry operations, partnerships are being made by nonprofits to funnel unusable goods to benefit others in the community, and business practices and management techniques are being taught to leaders.

The findings suggest that the scope of social entrepreneurial programs is large and fit within the boundaries of the definition outlined in chapter two. Organizations who answered yes to using social entrepreneurship describe their activities in table 6.1.

**Table 6.1 Describe Your Social Entrepreneurial Activities**

<p><b>Please briefly describe the social entrepreneurial activities of your organizations:</b></p>
<p>1. If I understand your question correctly...we run our agency like a business. We also have a social enterprise reSale thrift stores that also helps fund the ministry.</p>
<p>2. We partner with other non-profits and for-profit organizations to meet identifiable community needs; these partnerships are for limited times with specific goals and end points. Our THRIFT HOUSE is a business providing over more than 75% of funds to support our programs. Our new program "Waste Not" has secured agreements with other non-profits to funnel unusable goods to benefit others in the community. Our largest program Operation School Bell has increased its service of clothing School children by providing "clothes closets" for uniform schools and schools with high numbers of at-risk children . . . an innovative change in the traditional method of providing clothing for children. We are meeting with Austin ISD personnel to identify poor performing schools with lower socio-economic families to identify and purchase needed equipment to promote learning. Many, many more examples . . . .</p>
<p>3. Operate two "ReStores" which provide revenue to offset administrative costs</p>
<p>4. Our primary mission is to operate long-term substance abuse treatment facilities. However, we have ancillary programs and are always looking for opportunities to start other programs which relate to our mission and can be done in an economically feasible way.</p>
<p>5. Mainly in our approach to evaluating and improving our programs</p>
<p>6. We tried one social enterprise of selling cakes from our kitchen, 'Miss Doris' Cakes'. Our cook is well known in the community for her cakes and we received quite a bit of press. Ultimately, it was not profitable so we stopped.</p>
<p>7. Training business</p>
<p>8. We have started using QR barcode reading and getting into hi-tech museum experiences using people's smart phones. We also have Twit pics and social network accounts that aid in getting people aware. We have not been as lucky in getting them involved.</p>

The responses vary tremendously. Response number six in Table 6.1 lists a social enterprise of selling cakes from their kitchen and response eight lists their social entrepreneurial activities as the use of new technological apparatus. These varied answers suggest either social entrepreneurship can and does fit a wide array of activities, or it supports the notion that the social entrepreneurial construct has yet to be mapped and that the term has no distinct boundaries. We suggest the former. Social entrepreneurship is training business practices, it is evaluating and improving programs in a businesslike manner, and it is economic development programs in third world countries.

Social entrepreneurship is not entirely about organizational size, structure or individual leadership. It is about taking risks and engaging in new opportunities in hopes of being less dependent on other sources. Half of the organizations listed the development of programs that generate revenue as their social entrepreneurial activities. One organization mentions: *we have ancillary programs and are always looking for opportunities to start other programs which relate to our mission and can be done in an economically feasible way.* Social entrepreneurship is about adopting effective management techniques to improve efficiency through new programs. A more efficient nonprofit organization will bring more results and will directly benefit the community it is servicing.

Defining the social entrepreneurship concept in an elusive manner places it out of reach of organizations that would most benefit from utilizing entrepreneurial principles. If social entrepreneurship is viewed by leaders as something that only larger organizations can achieve, or if it is seen as some sort of abstract, academic concept, the grasps of social entrepreneurship will be out of reach for many organizations.

## **General Observations**

A majority of the organizations surveyed are attuned to the basic tenets of social entrepreneurship. They are knowledgeable about the concept of social entrepreneurship, the importance of community representation, having a diverse funding mix, setting goals for new programs and hiring staff with business skills and experience. While a majority of the organizations have a social entrepreneurial program that is generating additional revenue, only 38% surveyed actually seek out social entrepreneurial programs (See Table 6.2).

**Table 6.2 Survey Questions (Yes or No)**

<b>Survey Questions</b>	<b>% Yes</b>
Does your organization use social entrepreneurship?	<b>59</b>
Does your organization calculate SROI (social return on investment)?	<b>24</b>
Do community residents serve on advisory committees or boards specific to social entrepreneurship?	<b>73</b>
Your organization actively seeks out social entrepreneurial programs	<b>38</b>
Does your organization conduct market analyses prior to initiating or expanding a social entrepreneurial program?	<b>60</b>
Does your organization conduct cost-benefit analyses prior to initiating or expanding a social entrepreneurial program?	<b>50</b>
Does your organization create a business model/plan for its social entrepreneurial programs?	<b>64</b>
Does your organization assign volunteers to support social entrepreneurial programs?	<b>43</b>
Does your organization conduct risk assessments for social entrepreneurial programs?	<b>57</b>

Scanning the environment for new opportunities is a vital component of social entrepreneurship, with only 38% actively seeking out social entrepreneurial activities, the organizations surveyed can do more in the way of social entrepreneurship. The conceptual framework developed in Chapter 4 dedicated an entire category towards scanning the environment for new opportunities. Looking at the nonprofit sector, Anderson et al. suggest that opportunities in nonprofit organizations “have to be conceived, developed, and refined in a dynamic, creative, and thoughtful process (2002, 1).” They go on to contend that personal

experience [of social entrepreneurs], social needs, social assets, and change can give the organization ideas, but it is the responsibility of the social entrepreneurial organization to have an “opportunity-oriented mindset” that seeks out these opportunities (Anderson et al 2002, 5). Of course, regularly seeking out social entrepreneurial activities is only one component of scanning the environment, but it is an essential part of what makes social entrepreneurial nonprofits ‘entrepreneurial.’

In addition, nonprofit organizations that are engaging in social entrepreneurial programs consistently create and measure social value. Social value or social impact is the gauge of success of nonprofit organizations. Social entrepreneurs look for a long-term social return on investment. They want more than a quick hit; they want to create lasting improvements, or social value (Dees 1998). Over three quarters of the respondents declared that they were not familiar with social return on investment (SROI). The literature revealed that measuring social value helps an organization look back and evaluate how well they have reached their objectives (Boyd 2004). With 76% of the saying they do not calculate SROI, the question remains, how do these organizations measure social value creation? If organizations are unaware of their effectiveness, how can they improve their social impact?

The survey does not account for the possibility that nonprofits are using other means/methods to evaluate the impact of their programs. Careful consideration should be made in concluding that social entrepreneurial nonprofit organizations in Texas are not measuring social impact. One flaw in the research could potentially be that SROI is less grounded in practical uses and found more in academic circles. With less familiarity of the topic, practitioners would be less likely to have an understanding of the term, thus leading them to answer “No.”

Table 6.3 shows that nonprofit organizations either agreed or strongly agreed with all of the corresponding survey questions. Most agreed upon was the idea that a diverse funding mix is important to their organizations (with 84% of respondents selecting Strongly Agree or Agree).

**Table 6.3 Survey Questions (Likert Scale)**

Survey Question	N	% Strongly Agree and Agree	Mode
The 'Triple Bottom Line', being accountable to people, planet and profit, is important to your organization.	22	61%	Agree
Your organization sets specific goals for social entrepreneurial activities?	22	77%	Strongly Agree
Hiring management and staff with business skills and experience is an important component of your human resource strategy?	22	68%	Agree
Having a diverse funding mix is important to your organization.	22	84%	Strongly Agree
Your organization considers the impact social entrepreneurial programs will have on other funding sources?	22	73%	Agree

As mentioned in Chapter 4, Organizations that do not have multiple sources of income are limited in their outcomes. “Their service area stays confined to a local population, their impact remains constrained, and their scope is determined by whatever resources they are able to attract (Martin and Osberg 2007).” The survey question supports the notion that organizations engaging in social entrepreneurship see a diverse funding mix as an important part of their operations strategy.

### **Organizational Culture**

As outlined in Chapter 4, the executive director must maintain a harmony and balance amongst volunteers, donors, staff and board members if they hope to create a culture that

embraces innovation, risk-taking and other social entrepreneurial values (Werther and Berman 2001). The results show that out of the five questions in the organizational culture category, four were answered in the affirmative (See table 6.4: Organizational Culture Survey Results). This indicates that most nonprofits surveyed have a unique organizational culture that embraces social entrepreneurial qualities.

**Table 6.4 Summary of Organizational Culture Survey Questions**

<b>Survey Question</b>	<b>% Yes</b>
Does your organization use social entrepreneurship?	59
Does your organization calculate SROI (social return on investment)	24
Do community residents serve on advisory committees or boards specific to social entrepreneurship?	73

<b>Survey Question</b>	<b>N</b>	<b>% Strongly Agree &amp; Agree</b>	<b>Mode</b>
The 'Triple Bottom Line', being accountable to people, planet and profit, is important to your organization.	22	61%	Agree
Your organization sets specific goals for social entrepreneurial activities?	22	77%	Strongly Agree

Despite 77% of the organizations setting specific goals for social entrepreneurial activities, only 24% actually measure their outcomes using social return on investment (SROI). Either the surveyed nonprofits are not measuring the impact of their programs or they are not using SROI to do so. Markets do not work well at determining social improvements.



Organizations that set goals must have measures available to accurately assess the effectiveness of their programs.

### **Environmental Scanning**

As a whole, the surveyed organizations do not effectively scan the environment for new opportunities and when they do take on new opportunities, they generally do not evaluate them using business analysis techniques. Thirty eight percent of the nonprofits surveyed say they actively seek out social entrepreneurial activities, 60% say they conduct market analyses before they engage in social entrepreneurial activities and 50% conduct cost-benefit analysis (See Table 6.5 Summary of Environmental Scanning Survey Questions). Additionally, the majority of organizations feel that hiring management and staff with business skills and experience is an important component of their human resource strategy. The results suggest that hiring staff with business skills is important, but evaluating opportunities using “business practices” is not as important. Just over half of the organizations conduct market analysis and cost-benefit analysis when taking on new programs.

**Table 6.5 Summary of Environmental Scanning Survey Questions**

<b>Survey Question</b>	<b>% Yes</b>
Your organization actively seeks out social entrepreneurial programs	38
Does your organization conduct market analyses prior to initiating or expanding a social entrepreneurial program?	60
Does your organization conduct cost-benefit analyses prior to initiating or expanding a social entrepreneurial program?	50

<b>Survey Question</b>	<b>N</b>	<b>% Strongly Agree &amp; Agree</b>	<b>Mode</b>
Hiring management and staff with business skills and experience is an important component of your human resource strategy?	22	68%	Agree

### **Operations**

Nonprofit organizations that engage in social entrepreneurship agree that they should consider the impact their programs have on other funding sources, but 43% do not have set methods for assessing and analyzing risks associated with social entrepreneurial activities or programs (See table 6.6 Summary of Operations Survey Questions). Sixty four percent of the surveyed nonprofits did claim to create a business/model plan before taking on social entrepreneurial programs, but 57% of the respondents do not assign volunteers to support their social entrepreneurial programs. These findings suggest that nonprofits can and do create new social entrepreneurial programs without mobilizing resources (such as volunteers). Consideration is given to the impact programs may have on other funding sources, but risk

analysis, cost-benefit analysis or market analyses are not given as high a priority as suggested in the literature.

**Table 6.6 Summary of Operations Survey Questions**

<b>Survey Question</b>	<b>% Yes</b>
Does your organization create a business model/plan for its social entrepreneurial programs?	64
Does your organization assign volunteers to support social entrepreneurial programs?	43
Does your organization conduct risk assessments for social entrepreneurial programs?	57

<b>Survey Question</b>	<b>N</b>	<b>% Strongly Agree &amp; Agree</b>	<b>Mode</b>
Having a diverse funding mix is important to your organization.	22	84	Strongly Agree
Your organization considers the impact social entrepreneurial programs will have on other funding sources?	22	73	Agree

### **Chapter Summary**

This chapter reported the results of the social entrepreneurial survey and discussed each of the responses in regards to the corresponding categories: organizational culture, environmental scanning, and operations.

Nonprofit organizations in Texas are using social entrepreneurial programs and practices in an attempt to generate additional revenue for their organizations. The surveyed organizations who use social entrepreneurship find it important to hire staff with business skills and experience, and to create strategic business plans for their programs while being accountable to all stakeholders. Overall, the surveyed organizations view social entrepreneurial principles (such

as the triple bottom line and accountability) as important, but do little beyond that in the way of actually implementing and actively seeking out social entrepreneurial programs. Social entrepreneurial programs seem to be done quite haphazardly, with little more than an idea and a business plan. This does reflect the risk-taking, spontaneous, creative side of entrepreneurs, but it does not represent the cautious, pragmatic side of social entrepreneurs who carefully calculate their way to success.

The open-ended question revealed that the use of social entrepreneurship spans from business training to economic development programs. Social entrepreneurship cannot and should not be limited categorically. Social entrepreneurship is a general term for nonprofit organizations that are using business practices and principles to create social value. That is not to discount the effectiveness of adopting social entrepreneurial programs. Executives should understand the benefits of generating additional revenue from new programs.

As a basis for executives, more focus should be on forging an organization that effectively locates, evaluates and implements new opportunities while minimizing risks. Maintaining and measuring success must be a part of the operating strategy. Staff that is trained in market analysis and cost-benefit analysis can prove crucial to program success. As well, mobilizing resources (such as volunteers) in support of social entrepreneurial programs may be a wise investment. Qualified volunteers can help lower the risk of a new enterprise. Social entrepreneurs not only take on new opportunities, they successfully garner resources to support the new activities. The surveyed organizations understand this and have community representatives to ensure support and resources are available. The next chapter will present a summary of the research and recommendations for future studies.

## **Chapter 7: Conclusion**

### **Chapter Purpose**

The purpose of this chapter is to provide a summary of the research and the findings of the social entrepreneurship survey. As well, future recommendations are made for social entrepreneurship survey research.

### **Summary of Research**

The research started by suggesting a “substantial controversy remains in the conceptualization of the social entrepreneurship construct (Weerawardena and Mort 2006, 21).” Review of the literature did indeed reveal definitional issues. Despite the problems of defining social entrepreneurship, distinct categories and subcategories were refined from the literature exposing three distinct categories of organizations that were engaging in social entrepreneurial programs. These categories (Organizational Culture, Environmental Scanning and Operations) provided the researcher with a framework to follow when conducting the empirical research. The social entrepreneurial survey was sent out to 230 nonprofit organizations to assess if, how and why nonprofit organizations in Texas were using social entrepreneurship.

The results of the social entrepreneurial survey show that Texas nonprofits are using social entrepreneurship as a means to generate additional streams of revenue for their organizations. Organizations that do take on social entrepreneurial programs place a high value on having a diverse mix of funding, hiring staff with business experience, being accountable to all stakeholders and ultimately ensuring that their organization is paying attention to the triple bottom line of people, planet and profit.

## Conclusion

The concept of social entrepreneurship is one that is understood by nonprofits in Texas. The depth of understanding varies. Some organizations claim they are using social entrepreneurship by “helping the homebound clients in any way possible,” or by using “Twitter pictures and social networking profiles.” The use of new technology is an innovative approach to nonprofit management, but by itself does not fall into the category of social entrepreneurship.

Nonprofit organizations in Texas are attuned to the basic tenets of social entrepreneurship. Given the complex environment that most nonprofit organizations find themselves in, many directors and managers are at least aware of the importance of developing social entrepreneurial practices in their organizations. This awareness has developed naturally as the nonprofit sector has evolved. To take this awareness further, social entrepreneurial programs should consciously be pursued and understood. Understanding and communicating the positive implications of social entrepreneurship can only benefit the community. The board and executive leadership should promote social entrepreneurship and the leadership qualities found in social entrepreneurs.

Managers should be well versed in business management techniques, as much can be learned from the business sector in regards to efficiency, human resources and leadership. Not all business techniques will apply to the voluntary sector, but having a creative, opportunity-oriented mindset will allow nonprofits to further their impact.

Training in effective management techniques, specifically in social entrepreneurial practices should be more readily available. Practical material on social entrepreneurship is scarce, but books such as *The Accountable Social Entrepreneur – Enterprising Nonprofits: A*

*toolkit for social entrepreneurs* by Jed Emerson should be used as a handbook for organizations attempting to adopt social entrepreneurial programs.

### **Recommendations for Further Research**

Further research in the area of social entrepreneurship could prove extremely useful to any organization looking for new ways to make an impact. As noted in the research, social entrepreneurial organizations are making a huge difference in the world, in a very fast way. As well, smaller organizations are using social entrepreneurship to help fund their programs, freeing up money for other programs. This could potentially free up taxpayer dollars for other programs. The interdependent relationship between nonprofit organization and government bodies is one that raises a lot of ethical questions. Does the relationship between the sectors curtail accountability and reduce autonomy? Relying less on government funding could be beneficial to policy makers, taxpayers and nonprofit leaders. Further research should examine the relationship between the sectors and the advantages of adopting social entrepreneurship to reduce dependency of nonprofit organizations on government funds.

Limitations in this research result from the population that was selected for study. The fact that nonprofit organizations were chosen solely based on their size, nonprofit status and listing on Charity Navigator may have inhibited the researcher from really exploring the depths of social entrepreneurial nonprofit organizations. Surveys were sent with the hopes that a portion of the organizations contacted were engaging in social entrepreneurial programs. Some were and some were not.

Future research should investigate nonprofits that have already been classified as social entrepreneurial in some way or another. Case studies of these organizations with structured interviews and observational study techniques can pick up the intricacies of social entrepreneurship that cannot be realized through simple survey research. This would be a less random analysis, but could help build a solid foundation for others who are looking to clarify the question of, what exactly is social entrepreneurship?



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