Social enterprise sustainability revisited: an international perspective

Introduction

Social enterprises are widely acknowledged as delivering positive socio-economic impact to the community (Doherty et al 2009; Galera and Borzaga 2009) particularly when viewed from an aggregated perspective (Diochon and Anderson 2009). On this basis social enterprise has progressively attracted the attention of policy makers (Blundel and Lyon 2015) evidenced by the UK Governments focused development of the sector over the last decade or more (Mawson 2010; Teasdale 2012). Thus Blundel and Lyon suggest that increasingly “governments around the world are examining the potential of social ventures as an alternative vehicle for service delivery” and that these ventures should “be encouraged to grow, both in number and in scale in order to address a range of social, economic and environmental concerns” (2015 p. 80).

However governments have concurrently sought ways to reduce the direct funding of the sector (Defourny and Nyssens 2010; Peattie and Morley 2008). Social ventures have therefore increasingly turned to commercial activity to sustain themselves (Chell 2007; Dees 1998) leading scholars to emphasise the entrepreneurial and “business-like” practices of social enterprise (Dart 2004; Diochon and Anderson 2009; Mair and Marti 2006). Hence these enterprises need to move beyond business models largely reliant on grants and based on a “cost covering” philosophy to one that recognises a need for more than full cost recovery (Yunus 2007). Profitability is therefore argued to be fully consistent with social entrepreneurship (Mair and Marti 2006; Wilson and Post 2013). Only by acknowledging the need for and executing commercially focused strategies that deliver surplus can a social enterprise ensure their sustained provision of positive social impact (Chell 2007; Doherty et al 2014; Hynes 2009).

An understanding of the factors that influence social enterprise sustainability is therefore of significance to practitioners and policy makers alike. Accordingly, and building upon a
prior exploratory study (Sharir and Lerner 2006), Sharir et al (2009) constructed a theoretical framework of social enterprise “survivability” that suggests “the long term sustainability of social ventures depends on their ability to gain resources and legitimacy, create co-operation between institutions and develop internal managerial and organisational capabilities” (Sharir et al 2009 p. 90). Similarly others have recommended that social enterprises must consider traditional business growth models to facilitate sustainability (Coburn and Rijsdijk 2010; Hynes 2009) looking beyond resourcing strategies to incorporate a broader growth perspective (Scott and Teasdale 2012). Or as Hynes emphasises, the achievement of the dual social and economic goals of a social enterprise “necessitates the application of commercial or strategic intent to growing the business” (2009 p. 118).

Therefore, given the increasing focus by policy makers on social enterprise as a vehicle for service delivery (Blundel and Lyon 2015; Defourny and Nyssens 2010) this paper seeks to re-examine the factors that facilitate the development of sustainable social enterprises. To do so the paper firstly considers the literature on social enterprise sustainability including research pertaining to the commercial orientation and the growth of these ventures. Then, having outlined the research methodology, recent research findings are discussed. Finally conclusions are drawn out with implications for practitioners and policy makers being identified before limitations of the research are considered and future research opportunities highlighted.

**Social enterprise sustainability**

As dual purpose “hybrid” organisations (Doherty et al 2014) social enterprises must be commercially sustainable in order to deliver ongoing social impact (Chell 2007; Dees 1998; Mair and Marti 2006). As such these ventures “demonstrate that the creation of social and economic value does not have to be seen as inconsistent and incompatible” (Wilson and Post 2013 p. 730). To this end the literature identifies several key factors important to social enterprise sustainability. Some have emphasised the salience of securing resources (Doherty et al 2014) suggesting that a combination of financial,
physical, human and network resources is required for a social enterprise to succeed (Haugh 2009). Others have focused on factors such as legitimacy (Dacin et al. 2010; Dart 2004; Townsend and Hart 2008), a commercial orientation (Dees 1998; Chell 2007) and networks (Meyskens et al. 2010). Similarly scholars have proposed a focus on commercially orientated growth to be an important factor (Hynes 2009).

Thus, despite social ventures seeking to scale up activities to achieve maximum social impact (Blundel and Lyon 2015) sustainability has predominantly been viewed as an economic issue for these ventures (Hynes 2009; Sharir et al 2009; Shanmugalingam et al 2011; Weerawardeena et al 2010). As Doherty et al observe the “inward flow of financial resources is essential to sustain an organisation” (2014 p.8). However scholars note the potential for “mission drift” and managerial tension when social ventures prioritise commercial objectives over social goals (Doherty et al 2014).

A comprehensive explanation of social enterprise sustainability was attempted by Sharir et al (2009) wherein organisational resourcing, collaborative networks, legitimacy and organisational capabilities are collectively framed as the key drivers of social enterprise survival. This paper proceeds by reviewing the key sustainability factors identified by prior research.

**Resourcing**

Organisational resources refer to the valuable assets and competencies under an organisation’s control that may be strategically marshalled to create competitive advantage (Barney 1991; Eisenhardt and Martin 2000). These resources may be tangible or intangible (Barney 1991) and their acquisition is critical to any firm’s long term success (Katz and Gartner 1988). Thus, securing the necessary resources to compete in the marketplace is fundamental for social enterprises (Diochon and Anderson 2009; Sharir et al. 2009) and a core issue in the development of these ventures (Hynes 2009).

Research proposes that access to funding is the dominant issue for social enterprise (Hines 2005; Mendell and Nogales 2009) although acquiring such resources can be challenging (Doherty et al 2014; Haugh 2006). Hence social ventures are often by

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necessity multi-resource organisations (Doherty et al. 2009; Ridley-Duff and Bull 2011) seeking to attract resources from a variety of sources including earned income, philanthropic and government grants, volunteers and donations or from the founding social entrepreneurs themselves (Hynes 2009). Nevertheless, earned income through trading activities is a core feature of social enterprises (Barraket et al. 2010) and social ventures typically seek to expand their trading income as they evolve (Sunley and Pinch 2012) to avoid becoming reliant upon grants or development loans (Bull and Crompton 2006; Sunley and Pinch 2012).

The acquisition of physical assets is also important as it can enable trading activities (Haugh 2009; Hines 2005). However this is often challenging for social enterprises, especially during their formative stages (Hines 2005). The ability to source the appropriate human resources is also salient although problematic for social enterprises due to salary and career potential differentials (Austin et al 2006; Dacin et al 2010). Nevertheless social enterprises are often reliant upon volunteer labour (Doherty et al 2014; Peattie and Morley 2008) and although access to volunteers is viewed as a strength of the field (Barraket et al. 2010) this does not represent a secure long term strategy for the sector (Hynes 2009).

Collaborative Networks

All enterprises are “embedded” in a network of relations that impact their performance (Conway and Jones 2012). These networks are viewed as a critical aspect of small business success and growth (Shaw 1998). Entrepreneurial networks are specifically recognised as providing critical information, innovation and resources (De Carolis and Saporito 2006; Starr and MacMillan 1990). Collaborative partnerships and strategic alliances resulting from networks are widely recognised as delivering significant benefits to organisations in general, including resource acquisition and competitive advantage (Das and Teng 1998).

The relationships and networks of social entrepreneurs are similarly viewed as important in social enterprise success (Dacin et al 2010; Seelos et al. 2011; Shaw and Carter 2007). The creation of multi-stakeholder collaborative networks being influential in the
development and sustainability of social enterprises (Doherty et al. 2009; Neck et al. 2009; Sharir et al. 2009) offering potentially symbiotic relationships between social enterprises and their community (Meyskens et al. 2010; Seelos et al. 2011). Such collaborative networks influence the sustainability of social ventures whether sector based or externally situated via government, philanthropy and corporations (Meyskens et al. 2010). These networks provide social ventures access to resources (Shaw and Carter 2007; Seelos et al. 2011) as well as innovative perspectives and income streams from diverse relationships (Hynes 2009; Meyskens et al. 2010). However, stakeholder alignment may be problematic for social ventures due to potential conflicts from their inherent dual socio-economic focus (Doherty et al. 2014; Eikenbury and Kluver 2004). The question of how to effectively develop such networks is therefore an important research issue (Dacin et al. 2010; Mendell and Nogales 2009).

Organisational capabilities

The resourcing of social enterprises, whilst important to their success is insufficient without the organisational capabilities to exploit them (Haugh 2009). Thus organisational capabilities refer to the embedded, non-transferable assets that enhance the efficiency and effectiveness of other resources (Eisenhardt and Martin 2000). Despite organisational capabilities being recognised as playing an important role in social enterprise success (Doherty et al. 2014; Sharir et al. 2009) as well as growth (Lyon and Fernandez 2012) there is limited research that examines specific capabilities within the social enterprise context.

The marketing capabilities of social enterprise has attracted attention, with research tending to view marketing as a weakness within the sector (Peattie and Morley 2008; Powell and Osborne 2015; Sunley and Pinch 2012). Planning by social ventures has also received interest although some research has found limited evidence of planning activity amongst social ventures (Bull and Crompton 2006; Sunley and Pinch 2012). In contrast an Australian study found that social enterprises reported higher levels of planning than their mainstream counterparts (Barraket et al. 2010). Planning is argued to be an
important activity for social enterprises (Sharir and Lerner 2006) becoming more important as social enterprises focus upon growth (Lyon and Fernandez 2012).

Leadership and managerial competency within social enterprises has received limited research attention. Although arguably implicit in research focused upon social entrepreneurial traits and the emergence of nascent social enterprises (Mair et al. 2012; Ridley-Duff and Bull 2011) there is little research focusing more generally upon the managerial and operational aspects of these ventures. This is surprising given their impact upon social enterprise development (Coburn and Rijsdijk 2010; Lyon and Fernandez 2012). As Peattie and Morley observe, there is “relatively little known about the management competencies needed to successfully manage …” social enterprises (Peattie and Morley 2008 p. 30). The development of management expertise is recognised as an important challenge for the domain (Borzaga and Defourny 2001). A challenge made more difficult for social enterprises due to the pursuit of their “dual mission” (Doherty et al 2014). Hence scholars have consistently emphasised the importance of training and the acquisition of management skills for social enterprise development (Hines 2005; Lyon and Fernandez 2012) with “the need to consider the development of a wider range of human resources, competencies and skills in SE management” (Doherty et al 2014 p.15). These ventures are therefore recognised as benefiting from external support and training, particularly when “tailored” to the social enterprise context (Hines 2005; Hynes 2009).

**Legitimacy**

Legitimacy represents the alignment of organisational actions with the expectations, norms and beliefs of the community in which it operates (Suchman 1995). The acquisition of legitimacy is recognised as delivering important benefits to a firm in terms of access to resources and increased chances of survival (Baum and Oliver 1991). Legitimacy may thus be conferred upon firms that conform (DiMaggio and Powell 1983), or conversely acquired by organisations that actively garner and influence their environment and the perceptions of their stakeholders (Suchman 1995).
Social enterprises draw legitimacy from their social purpose (Dart 2004) representing potential competitive advantage in the marketplace for these ventures (Dacin et al. 2010). Hence legitimacy has particular relevance to the success of social ventures (Dacin et al. 2010; Doherty et al. 2014; Townsend & Hart 2008) with access to resources “directly linked to the venture’s ability to gain legitimacy” (Sharir et al. 2009 p. 78).

Gaining legitimacy often depends on the networks of the social entrepreneur (Meyskens et al. 2010; Sharir et al 2009). Furthermore the choice of organisational structure is an opportunity to strategically develop legitimacy with critical stakeholders and gain access to important resources (Sarpong and Davies 2014; Townsend and Hart 2008).

**Commercial orientation**

Uncertainty can arise for social ventures in terms of the primacy of social or commercial aims (Eikenbury and Kluver 2004). This has led to ambiguity around notions of profitability and the application of surplus by a social enterprise (Diochon and Anderson 2009; Ridley-Duff 2008). As Ridley-Duff states “there is an implicit assumption that profits are desirable so long as they can be channelled towards the collective needs” (2008 p. 293). Indeed Wilson and Post (2013) assert that it is acceptable for social ventures to be profitable, though not profit maximising. Conversely Diochon and Anderson observe that “whilst profit is embraced by some, others eschew it” with the latter view tending to be held by those “of the NFP persuasion” (2009 p. 20).

Thus a UK study based upon 80 social ventures, reported that whilst income generation was a factor in meeting social aims “no respondent identified profit as a key objective” (Shaw and Carter 2007 p. 429). Similarly Austin et al. (2006) found that social entrepreneurs did not use financial measures to evaluate their success, perhaps because when social enterprise operates in areas of market failure the ability to be profitable is severely limited (Diochon and Anderson 2009).

Alternatively, for social ventures “the business dimension is a key component that supports and facilitates the social orientation and sustainability of the enterprise” (Hynes 2009 p. 118). As such, social enterprise may be viewed as a “more-than-profits” model (Jones & Keogh 2006) including organisations established with an explicit “for-profits”
focus that enables the achievement of social goals through economic success (Dees and Battle Anderson 2003; Hockerts 2006; Neck et al. 2009). Leading Hynes to contend that “the creation of social value and profit generation” are not mutually exclusive “in the context of social enterprise” (2009 p. 122).

International reports support this view finding that over fifty per cent of social enterprises identify achieving an operating profit (Barraket et al. 2010; Villeneuve 2011). The issue therefore is not whether commerciality is appropriate for social enterprise but how any surplus is treated (Ridley-Duff 2008; Wilson and Post 2013) with profit needing to be reinvested in the social enterprise rather supporting individual wealth creation (Galera and Borzaga 2009; Ridley-Duff 2008; Wilson and Post 2013).

Social enterprise growth

Despite considerable research into the emergence of social ventures (Austin et al. 2006; Mair and Marti 2006) the issue of social enterprise growth has attracted limited research attention (Blundel and Lyon 2015; Hynes 2009). However with policy makers increasingly viewing social enterprise as an alternative model to deliver services (Defourny and Nyssens 2010), there is growing interest in ways to scale up successful social enterprise models (Blundel and Lyon 2015; Lyon and Fernandez 2012). Some scholars have explored social enterprise growth from a commercial perspective (Hynes 2009). Others emphasise that as hybrid organisations the concept of growth for social enterprises incorporates both commercial and social logics (Blundel and Lyon 2015; Doherty et al 2014; Lyon and Fernandez 2012). This is potentially problematic given that for social ventures conventional commercial logics are only “one element of a much broader conceptualisation of growth” and may down play important social impact issues (Blundel and Lyon 2015 p. 83). However quantitatively based commercial aspects of social enterprise are easier to measure than the more qualitative social outcomes produced by these ventures making social impact measurement problematic (Mulgan 2010).

Research to date in relation to social enterprise growth is inconsistent. On the one hand, albeit based upon a small sample, Hynes argues that to sustain their impact social
ventures require a commercially focused growth culture, much as any traditional business (2009). Similarly Coburn and Rijsdijk report that social enterprise leaders often link social enterprise success “to concepts of scale and growth” (2010 p. 3) with Scott and Teasdale concluding that social enterprises must not only develop “a strong cash-flow” but also “… need to grow” (2012 p. 142). In fact international surveys have repeatedly identified that the majority of social enterprises report growth (Barraket et al. 2010; Villeneuve 2011).

Conversely, Bull and Crompton (2006), when investigating fifteen UK social enterprises, observed their “drive to create financial surpluses was to re-invest in other service provision, not utilised for organisational development or growth” (2006 p. 49). More recently, Sunley and Pinch similarly identified “a very cautious attitude towards growth and expansion” amongst social enterprises (2012 p. 113). In fact Blundel and Lyon declare that “social ventures are often established with limited growth expectations” (2015 p. 81).

As such there is also limited research on the specific growth strategies of social ventures. Some have considered the potential of franchising as a strategy for social enterprise development (Lyon and Fernandez 2012). Similarly entrepreneurial strategies such as effectuation (Corner and Ho 2010) and bricolage (Di Domenico et al. 2010) have been proposed as ways that social ventures emerge and develop. Recent research suggests that growth can be achieved through traditional diversification strategies (Lyon and Fernandez 2012). Such diversification may be the product of acquiring and leveraging physical assets (Haugh 2009; Hines 2005).

Given the paucity of research into social enterprise growth scholars have suggested that the traditional small business literature offers explanatory potential with regard to this issue (Hynes 2009). This literature suggests that growth is a complex, multi-dimensional phenomenon with differing views on how it should be defined and measured (Achtenhagen et al 2010). Influentially, Penrose (1959) proposed that growth may be viewed as both an outcome or as a process and Delmar (1997) concluded that multiple indicators should be used to best capture the growth concept. More recent research
confirms that whilst practitioners consider internal development and the process of
growth to be of salience, it is variance in “out-come based indicators” such as turnover,
that represent the predominant measures used to consider growth (Achtenhagen et al
2010 p.291).

Furthermore, although small business growth is regularly associated with financial gain
for shareholders, research suggests that business growth is often about the achievement of
a variety of goals including organisational sustainability (Davidsson et al 2010; Dobbs
and Hamilton 2006). Therefore the small business literature links venture sustainability to
a strategic organisational orientation towards growth (Hansen and Hamilton 2011) and a
pre-eminent factor in determining the growth of any small business is a fundamental
commitment to growth by the leader of an enterprise (Davidsson et al. 2010).

The role played by networks in the emergence and growth of small enterprises is also
emphasised in the literature (Brunetto and Farr-Wharton 2007; Martinez and Aldrich
2011). Alliances and partnerships are a key influence upon small business growth
307) observe “collaborative relationships provide both greater opportunity for growth and
an indication” of an enterprises’ “growth intention” and hence a predisposition to
sustainability.

**Methodology**

The research employed a concurrent, convergent mixed methods approach that involves
the complementary and parallel collection of qualitative and quantitative data (Creswell
and Plano 2007). This allows the researcher to compare and contrast data, relating both
the qualitative and quantitative findings together, enabling a deeper and broader analysis
and resulting in a better understanding of the research issues (Creswell and Plano 2007;
Yin 2011). The research was undertaken on a sample of 93 self-designating social
enterprise leaders (comprising 50 Australian and 43 Scottish participants) using surveys
and face-to-face interviews. Surveys were collected from 93 respondents between June
2011 and November 2012 with 50 of the participants concurrently undertaking an
interview.
To achieve a diversity of perspective the participants were deliberately sourced from a cross-section of social enterprise organisational types from urban and regional locations (Teasdale 2102) using the purposive sampling variant known as stratified sampling (Creswell & Plano 2007). However, given the recognised challenges in identifying large numbers of social enterprises (Barraket et al. 2010; Teasdale et al. 2013) the additional sampling method termed “snowballing” (Yin 2011) was employed to source an enhanced number of suitable participants.

As part of the research process the respondents self-designated their organisations legal structure to allow comparative analysis. The diversity of the social enterprise field has resulted in a variety of legal structures being employed by social ventures (Alter 2006; Peattie & Morley 2008; Teasdale 2012). This includes for-profit, not-for-profit and hybrid forms (Dorado 2006; Florin & Schmidt 2011) with traditional structures such as trusts, corporations, companies limited by guarantee, co-operatives and associations being utilised as well as more recent innovative social enterprise hybrid forms such as the Community Investment Company in the UK (Doherty et al. 2009; Teasdale 2012). From this data the respondents could be allocated into either Not-for-Profit or For-Profit groups for the purpose of comparison.

The qualitative data was secured via interviews, an approach that draws out participant experiences, views and perceptions leading to research insights and thematic development (Punch 2005). The interviews were semi-structured to give the interviewer greater control over the process (Creswell and Plano 2007) using questions based upon central themes developed from the literature (Yin 2011). This approach ensured consistent, targeted and detailed analysis of the key topics of the research without overloading the research with superfluous data (Miles and Huberman 1994; Yin 2011).

The interview data was then coded according to key themes (Saldana 2010). This coding took place in three stages. Firstly Descriptive coding categorised the data before Pattern coding reorganised the information to create clusters that attributed better meaning to the grouped data (Saldana 2010). Finally Magnitude coding was applied to detail the frequency of codes, allowing the researcher to better detect and confirm emergent
patterns and themes in the information (Saldana 2010). This final stage is particularly useful in mixed methods designs as it provides added consistently across the accumulated data in a project allowing the qualitative findings to be more easily compared with the projects quantitative data (Saldana 2010).

The quantitative data was sourced via a survey instrument specifically developed for the study. This was achieved by amalgamating a pre-validated instrument from an associated field, in this case the traditional small business domain (Brunetto and Farr-Wharton 2007) with key themes identified from the literature (Yin 2011). The collated quantitative data being analysed with a primary aim of benchmarking mean-score data to assess the growth and sustainability aspirations associated with the social enterprises participating in this study. This included data relating to the operational environment, organisation, processes, relationships and networks of the respondents.

Overall statistical analysis of the survey data to access its consistency using Cronbach’s Alpha revealed an unacceptable level of reliability indicating that the sample size was inadequate to produce a statistically valid regression model (Hair et al. 2009). Therefore the research focused predominantly upon applying a range of descriptive statistics to analyse the data utilising the SPSS software package. Thus qualitative and descriptive statistical information was accumulated that was then combined and compared to uncover important insights into the activities of the participants and define the findings and contribution of the research.

**Summary of research findings**

The findings both support and extend prior research into the sustainability of social enterprises, exhibiting considerable international consistency particularly at a macro thematic level. The results are thus supportive of the framework developed by Sharir et al (2009) also identifying resourcing, organisational capabilities, collaborative networks and legitimacy as influential in the sustainability of social ventures. However importantly, as predicted by Hynes (2009) the research reveals an overarching commercially focused
growth orientation as the dominant factor in the strategic management for sustainability of these ventures.

Table 1 summarises the projects qualitative results identifying the key themes and their weighting according to the international cross-section of contemporary social enterprise leadership involved in this study.

**Table 1: Dominant factors in social enterprise sustainability**

<table>
<thead>
<tr>
<th>Key sustainability factor</th>
<th>Comparative weighting as reported by participants</th>
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<tbody>
<tr>
<td>Commercially focused growth orientation</td>
<td>32%</td>
</tr>
<tr>
<td>Collaborative networks</td>
<td>21%</td>
</tr>
<tr>
<td>Organisational capabilities</td>
<td>19%</td>
</tr>
<tr>
<td>Resourcing</td>
<td>15.5%</td>
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<tr>
<td>Legitimacy</td>
<td>12.5%</td>
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These qualitative themes, corroborated by the quantitative findings discussed below, demonstrate that a strategic growth orientation associated with the intent to achieve profitability to be the overarching driver of organisational sustainability for contemporary social enterprises.

**Commercial orientation**

The findings exhibited clear support, across both international data sets, that the application of traditional business strategies is fundamental to the delivery of sustained social impact by social enterprises (Chell 2007; Hynes 2009; Mair and Marti 2006). A commercial orientation was typically the first thing acknowledged by the respondents during interviews as influencing the sustainability of their organisations. This was articulated in various ways by the respondents via terms such as “financial
sustainability”, “profitability” and “business focus” with the experienced CEO of a successful Scottish NFP succinctly capturing the evolved level of commercial “pragmatism” observing:

“… if it does not work financially it is not going to work socially”.

The quantitative results supported the qualitative data revealing that 89% of participants identified “commercial/financial measurements” as an important indicator of success for their social enterprise. Furthermore 72% of respondents reported a strategic orientation to achieving profitability with 58% of participants reporting that they currently recover all costs.

Moreover the results also showed that although those structured as For-Profit social ventures were more likely to declare a profit orientation (79%) significantly, a clear majority (67%) of the ventures reporting a Not-for-Profit structure also held the same profitability intent. These results are therefore strongly suggestive of a profit orientation across the spectrum of contemporary social enterprises supporting prior findings that view profitability to be both acceptable (Wilson and Post 2013) and necessary for social ventures to be sustainable (Hynes 2009).

**Growth orientation**

A growth orientation was also consistently and overwhelmingly evidenced as a dominant theme in the interview data. Well illustrated by the following comment from a successful Australian For-Profits social entrepreneur who succinctly stated that:

“…growth is critical to social enterprise sustainability”.

This growth orientation was substantiated in the survey data. Internationally, an overwhelming majority (96%) of participants reported that their enterprise possessed an expectation of growth in the next two years. This is compounded by 97% of participants identifying that they were currently undertaking “strategies to grow their market” with 82% of the respondents reporting that they had also achieved “moderate” or “high growth” in the past two years of operation. These findings align with previous international surveys (Barraket et al. 2010; Villeneuve 2011) and concur with Coburn and
Rijsdijk’s view that social enterprise leaders often link social enterprise success “to concepts of scale and growth” (2010 p.3).

The results also revealed evidence on how the international participants sought to achieve their declared growth objective. A key growth strategy identified was diversification through multiple income streams. This aligns with traditional small business research that acknowledges the importance of growth through diversifying (Davidsson et al. 2010). It is also supportive of recent research suggesting that diversification is a method by which social enterprise can scale-up their operations (Lyon and Fernandez 2012). Furthermore both groups provided examples of successfully leveraging physical assets as a means to create new revenue streams and enhance sustainability (Haugh 2009).

However significant variation was identified with regard to growth and organisational type. The For-Profit social enterprises reported to be both growing more quickly (65%) and declared a higher expectation of growth in the forthcoming two years (83%) than those structured as NFP recording 43% respectively for both of these measures. This suggests that For-Profit social ventures are more strategically aggressive in terms of growth, perhaps reflecting a less risk-averse orientation.

**Collaborative networks**

That collaborative networks represent an important factor in social enterprise sustainability (Meyskens et al. 2010; Seelos et al. 2011; Sharir et al. 2009) is consistently supported by both international groups in this study. The survey data identified that 92% of respondents identified their business networks as an important element of their organisational decision making. Moreover 70% of respondents reported that they “have been working with other social enterprises for some time” with even higher proportions indicating that, in their view, “social enterprises support each other” (73%) and “often try to work together” (78.5%). Moreover 96% of the respondents stated that they “speak openly to other social enterprises” if they think that they can support them and 72% declared that there is a sense of “kinship” amongst the enterprises in the sector. The interviews were also consistently supportive with respondents from both countries explicitly recognising the importance of multi-stakeholder collaboration, with a number
of Australian and Scottish participants detailing involvement in local and national collaborative frameworks.

However, further analysis of the quantitative results reveals some significant differences in terms of collaborative activity between social enterprise types. The enterprises structured as NFP were considerably more likely to collaborate with other social enterprises than those under a For-Profit structure. Over 80% of the NFP group stated that they have been working with other social enterprises for some time and 72% having collaborated with other social ventures to secure business contracts. Comparatively only 52% and 56% of the For-Profit participants reported positive answers to these respective questions. This is indicative of a greater propensity amongst the NFP social enterprises to pursue collaborative action with other social enterprises.

Within the context of collaborative networks a key relationship consistently identified across both international groups was the important role of government in social enterprise success. However, significantly the Australians reported receiving far less governmental support than their Scottish counterparts (69% vs 85% respectively). A similar result was reported in relation to the receipt of intermediary assistance by the respondents. In fact 32% of the Australians reported having never received any support from intermediaries of any kind whereas a remarkable 90% of the Scots confirmed receiving some form of intermediary assistance. This differential is further illustrated with regard to networking assistance, wherein 35% of the Scottish participants identified receiving such assistance from intermediaries whereas only 17% of the Australians reported receiving this important support. The results therefore demonstrate a significant variation in external social enterprise support between the two countries.

Organisational capabilities

Organisational capabilities play an important role in social enterprise success (Doherty et al. 2014; Peattie and Morley 2008) and are a trait of successful social enterprises (Coburn and Rijjsdijk 2010). Importantly therefore several specific capabilities emerged from the data as being of particular importance to social enterprise success.
Social enterprise structure

The choice of structure for social ventures is often based around gaining stakeholder legitimacy, influencing access to funding and impacting organisational performance (Doherty et al. 2014; Mendell and Nogales 2009; Townsend and Hart 2008). Structure was a significant sub-theme to emerge from the study with the results reflecting and extending prior research. The participants reported that the choice of structure was predominantly influenced by commercially pragmatic (65%) rather than mission-based factors (35%). Specific structures were selected to strategically position the enterprise for sustainability based upon the venture’s perceived economic needs such as access to funding streams or to gain legitimacy as well as pragmatic commercial efficiencies such as tax minimisation. The NFP-based structures emphasised access to trading, grant funding and tax benefits as key strategic drivers. These enterprises often looked to the creation of a structure as a gateway to commercial activity to complement potentially fragile grant funding streams, thus creating multi-resource platforms to better achieve a sustainable operation whilst retaining the overall values of the organisation. Conversely the For-Profit social enterprises typically adopted structures to communicate externally that they are commercially focused organisations. This was often as a result of a need to access forms of funding such as equity capital and commercial loans not available to other variants.

Planning

Scholars have highlighted the importance of planning for social ventures, particularly in their formative stages (Lyon and Fernandez 2012; Sharir et al. 2009). However, studies have found limited evidence of formal planning processes amongst social enterprises (Bull and Crompton 2006; Sunley and Pinch 2012). In accordance with Barraket et al (2010) this research shows a clear commitment to the notion and application of business planning by contemporary social enterprise leaders. The results demonstrate that across both international groups, the vast majority of participants do “a lot of planning” (91%) and are currently “using a business plan” (90%).

Marketing
Prior research argues the importance of marketing capabilities in the context of social enterprise development (Bull and Crompton 2006; Hynes 2009). However the literature has tended to view marketing capabilities as a weakness within the domain (Peattie and Morley 2008; Powell and Osborne 2015; Sunley and Pinch 2012). Marketing represented an emerging theme in the qualitative data of this study. The results show a heightened awareness amongst the respondents, particularly the Scottish cohort, of the importance of marketing to the success of their ventures, illustrated by the following participant observations;

“Marketing is crucial to our success….social enterprise may have a great product but it will not sell itself” observed a high profile Australian social entrepreneur.

“…a true marketing perspective is key … it is not enough just to try to do good … do they need it?” stated a recently established For–Profit Scottish social entrepreneur.

The findings suggest an evolving appreciation and application of marketing amongst the social enterprise leaders in this study.

**Quality, efficiency and systems**

Despite operational excellence being identified as a trait of successful social enterprises (Coburn and Rijsdijk 2010) there is limited research into the operational performance of social enterprises with “relatively little known about the management competencies needed to successfully manage” these ventures (Peattie and Morley 2008 p.30). However such competencies were an area of importance in this study. The respondents emphasised the need for social enterprises to be more efficient than traditional businesses in order to be sustainable. This was due to a higher embedded cost base occurring from socially and democratically focused operating philosophies. As one experienced Australian NFP CEO declared in relation to the sustainability of social ventures;

“…efficiency is a key factor … as social enterprise needs to be extra efficient to compete”.

Furthermore 96% of respondents reported that from a service delivery perspective their organisation possessed client-specific capability with over 82% further emphasising that
a “high level” of capability was required for their organisation. To support this 82% of all respondents declared their team undertook training at least annually. Consistent in both country samples and across organisational type the findings suggest that operational issues such as service efficiency and quality are important factors in the sustainability of the social enterprises.

**Social enterprise resourcing**

Securing the necessary resources to operate and compete in the marketplace is a fundamental challenge for social enterprises (Diochon and Anderson 2009; Sharir et al. 2009) and a core issue in terms of their development (Hynes 2009). Access to resources was a major theme to emerge from the qualitative data of both countries. An experienced Australian CEO responsible for a group of NFP social ventures summarised this well simply stating that;

“…funding is the number one issue…we aim to create a self-funding entity”.

Furthermore the results confirmed prior research with the participants identifying themselves as “multi-resource” organisations (Doherty et al. 2014; Ridley-Duff and Bull 2011). For in addition to earned income derived from trading, 42% of respondents reported that they receive public funding, similarly 42% reported receiving in-kind donations and 59% declared receiving some corporate assistance, often in the form of pro-bono work. Furthermore, and again resonating with previous findings (Hynes 2009) over a third of participants reported needing to use their own funds, with philanthropic funding (28%) and cash donations (18%) also registering. There was however no evidence found connecting the deployment of volunteer labour with organisational sustainability despite previous research suggesting its importance (Austin et al. 2006; Peattie and Morley 2008).

Significantly, the For-Profit social enterprises identified markedly less resourcing support from external sources than those structured as NFP in all categories of resourcing. For example only 8.5% of the For-Profit group reported receiving public funding against over 52% of the NFP participants and similarly the For-Profits recorded 4% against 38% for
the NFP group in terms of receiving philanthropic backing. This lack of external support being perhaps influential in the finding that over 56% of the For-Profit social enterprise leaders reported using personal funds in their enterprise whereas only 21.5% of the NFP group declared this. This suggests that For-Profit social enterprises are likely to be more reliant on earned income streams than their NFP counterparts.

**Social enterprise legitimacy**

Legitimacy is seen to impact the success of social ventures (Doherty et al. 2014; Sharir et al. 2009) potentially providing access to important resources (Dacin et al. 2010; Townsend and Hart 2008). The respondents declared an appreciation of the importance of legitimacy as a factor of both their own organisation’s sustainability as well as the development of the social enterprise sector overall particularly in relation to community and stakeholder relationships (Sarpong and Davies 2014; Seelos et al 2011). In fact, as suggested in the literature, social enterprise leaders in this study articulated that the inherent social legitimacy of these ventures represents an important competitive advantage for the field (Dacin et al. 2010). Succinctly illustrated by an experienced Australian CEO of a long standing and successful NFP declaring;

“Our social legitimacy…is a big opportunity for competitive advantage”

**Conclusions**

In a climate of both decreasing public funding and rising expectations of the role social ventures can play in society, the development of sustainable social enterprises becomes an increasingly important issue. This paper therefore examined the key drivers that promote the sustainability of these ventures. It confirmed, in line with prior findings, that collaborative networks, organisational capabilities, resourcing and legitimacy are important factors in this process. The results furthermore support previous research identifying the salience of organisational structure in the development of social ventures, particularly in terms of access to important resources.

However, importantly, the findings add to our understanding by demonstrating that contemporary social enterprise leaders identify a strategic growth orientation associated
with commercial outcomes as the primary driver for sustainability of their ventures. The results indicate that contemporary social enterprise leaders possess a pragmatic orientation to commercial growth, seeing it as necessary to achieve organisational longevity and the ongoing delivery of positive social impact. The study further suggests that this orientation is consistent irrespective of organisational structure as well as across both international jurisdictions examined.

The findings therefore have important implications for practitioners and policy-makers alike. Firstly at a strategic level practitioners must ensure that both strategies and organisational capabilities, such as marketing, are in place within their social enterprise to execute a growth orientation. To support this practitioners need to recognise the collaborative potential of the domains relationships and networks and the potential access to organisational support and opportunity that they offer. However, this requires that practitioners not only recognise but also harness this potential, requiring significant strategic and interpersonal acumen on the part of the social entrepreneur to engage and develop both sectoral and key external relationships.

Similarly policy-makers must promote an environment that facilitates growth amongst the sector. It is important for government to accept and embrace its key relational role with the field, particularly if it seeks to build the capacity of the domain. Although innovative procurement initiatives are important here the opportunity for government is arguably more fundamental. To harness the collaborative potential of a largely fragmented and resource depleted social enterprise field not only requires sophisticated connectivity (generally out of the reach of most social ventures) that links social ventures to potential partners but also requires access to the appropriate resourcing and capabilities to deliver partnership requirements. A framework is therefore needed that facilitates the ongoing development of successful strategic partnerships between social enterprise, government and corporations. Specialist intermediary organisations that are specifically targeted at building the capacity of the sector through strategic partnerships and capability development would offer potential here.

Furthermore, if marshalled correctly, the social legitimacy of social enterprise can deliver important competitive advantage in the marketplace. To capture this potential
practitioners must embrace a marketing orientation and develop appropriate organisational capabilities to take commercial advantage of this opportunity with its customers. Similarly social enterprise legitimacy in the community can be more broadly garnered via the networks of social entrepreneurs if strategically applied, providing access to funding and support.

However legitimacy cuts both ways. Practitioners must appreciate that as enterprises that trade, social ventures also need to achieve commercial legitimacy by consistently delivering the requisite quality of product/service promised on an economically sustainable basis. This requires the development of organisational capabilities and an orientation consistent with successful traditional enterprises, whilst maintaining focus on social goals. Thus perhaps the most productive alliances for social ventures are with strategically aligned corporations. Such partnerships would enable mutual benefit. Corporations would benefit from enhanced legitimacy within the community whilst the social enterprise would beneficially receive commercial support in terms of resources, training and capabilities enabling and building the capacity to deliver its product/service. Again specialist intermediaries facilitated by policy can positively impact the capabilities of social ventures through both training and the facilitation of the networks necessary to engineer such partnerships.

In conclusion, sustainability is therefore an important but complex issue for social enterprise and government alike. Although social enterprise cannot be viewed as a panacea for government service delivery issues it seemingly offers an important alternative if appropriate policy initiatives are executed. The sustainability of these ventures is strongly influenced by their strategic orientation as well as their ability to develop organisational networks and capabilities, access resources and cultivate legitimacy. Government can therefore play a key role in creating both a supportive environment as well as putting in place a framework of specialist facilitation and expertise conducive to building the collaborative alliances that will enable the evolution of the domain.

However, despite this study offering insights into social enterprise sustainability its limitations need to be acknowledged. Firstly, although the study captured a
comparatively large sample by social enterprise research standards it proved to be insufficient to enable statistically reliable correlational analysis. Furthermore the study only includes data from two countries and it is limited to analysing social ventures structured as either For-Profits or NFP thus ignoring important alternatives such as Co-operatives.

Finally, the project provides opportunities for future research. For example the focus could be expanded to include multiple countries and a wider range of organisational types. Future research could examine to what extent commercial growth leads to increased social impact or conversely results in mission drift that compromises social goals. How do the leaders of hybrid organisations balance the dual goals of scaling up both social impact and commercial growth? Alternative growth strategies of social enterprises could also be examined, particularly when considered at various stages of the organisational growth cycle, to help policy makers better align support initiatives such as intermediary support. Also the risk orientation amongst social enterprise leaders might be usefully explored in relation to social enterprise growth. Furthermore it would be beneficial to investigate the factors that lead to successful collaborative alliances in the sector and the role of intermediaries in this process.

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