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# Exploring the social enterprise: Factors important to sustainability

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Jenner, P. (2014). Exploring the social enterprise: Factors important to sustainability [University of the Sunshine Coast, Queensland]. <https://doi.org/10.25907/00557>  
Document Type: Thesis

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# EXPLORING THE SOCIAL ENTERPRISE: FACTORS IMPORTANT TO SUSTAINABILITY

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Submitted in fulfilment of the requirements of the degree of  
Doctor of Philosophy

August 2014

## **ABSTRACT**

The theoretical underpinning of social enterprise management remains limited, particularly in terms of the nature of the important relationships that are critical to their sustained success. This study incorporates Social Capital Theory as the principal lens to examine how the networks of social enterprise managers influence the sustainability of these ventures.

The research for this thesis used a concurrent, convergent mixed methods approach on a sample of 93 social enterprise leaders using surveys and face-to-face interviews. The participants were sourced from a cross-section of social enterprise organisational types from urban and regional locations in Australia and Scotland, allowing for a cross-country comparative analysis.

The combined findings of this research support prior research in identifying resourcing, organisational capabilities, collaborative networks and legitimacy as influential in the success of social enterprises. However, the research contributes new knowledge by revealing an overarching growth orientation as the dominant factor in the strategic management for sustainability of these ventures. This growth orientation is generally associated with a strategic intent to achieve more than full cost recovery or profitability. Thus, social enterprise managers view a commercially focused growth orientation as an overarching factor that underpins organisational sustainability.

Furthermore, the study also advances social capital theory by demonstrating that it is also an important factor in the success of these ventures. At a macro level, social capital offers social ventures a potentially symbiotic relationship with its community. The legitimacy generated by the underlying values and goals of these enterprises as well as the community impacts they generate, drives a virtuous cycle of sustainability for the entity by gaining enhanced community support, cooperation and collaboration. At a micro level the relationships developed by social enterprise leaders offer considerable strategic opportunity to engender organisational sustainability given the diverse mix of strong and weak ties revealed in the research and the potential this offers.

This thesis also contributes to the literature on Trust as the findings suggest that despite the relationships and networks of social enterprise leaders, the high levels of trust that exist within the sector is shown to have no effect on the growth of social ventures. This suggests

that the orientation towards collaboration and networking does not appear to draw upon the inherent, value-driven trust apparent in the sector.

The research also found important cross-national variations in relation to the sustainability of social enterprises. Most significant of these is the disparity in the level of government and intermediary support reported by the Australian and Scottish participants. This means that despite widespread recognition of the importance of such assistance to social enterprise sustainability across both sets of international participants the Australian respondents reported significantly less support than their Scottish counterparts.

Thus the research has implications for academics, practitioners and policy makers in terms of the facilitation of sustainable social ventures whilst also offering important avenues for future research. Research into the growth strategies currently used by social enterprises would have obvious benefits, particularly in relation to the role that government and intermediaries can play in this process. Seeking to identify the optimum support required at various stages of social enterprise development, rather than a “one size fits all” model, is seen as a way to improve the efficiency of government funding to the sector.

## **STATEMENT OF ORIGINALITY**

This work has not previously been submitted for a degree in any university. To the best of my knowledge and belief, the thesis contains no material previously published or written by another person except where due reference is made in the thesis itself.

Peter John Jenner

Date

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## ACKNOWLEDGEMENTS

Social capital is a core dimension of this study. It therefore follows that the important relationships that made this research project possible should be acknowledged. On this basis, firstly I must thank the social enterprise leaders and entrepreneurs who gave their time and provided the data and insights that form the foundations for this research. Secondly, I want to acknowledge the staff, research team and academics within the School of Business at the University of the Sunshine Coast whose support, encouragement and sage advice provided at various times along the way represent an important factor in the completion of this work.

More specifically I must thank my lead supervisor Dr Rod Farr-Wharton. First of all this thesis would not have occurred had it not been for a fateful meeting with Rod that laid the foundations of this project and the future potential it offers. Moreover, through the various stages of this thesis Rod provided important insight and guidance when needed, as well as ensuring that I developed the skills, rigour and questioning mind of a well-rounded academic researcher. Credit for this must also go to Professor Yvonne Brunetto, whose periodic injections of experience and acumen were also instrumental in the completion of this study. I further acknowledge Jane Todd for professional copy editing and proofreading advice as covered in the *Australian Standards for Editing Practice*, Standards D and E.

Finally however, my most important relationship is with my family, partner Petra and sons Tom and Harry. A PhD is undeniably a demanding process for the immediate family of the researcher and without their unswerving support and encouragement it would have been impossible to pursue, let alone complete the process.

Thanks all, I appreciate it.



# **CHAPTER 1: INTRODUCTION TO THE THESIS**

## **1.1: Introduction**

The socio-economic and transformational potential of social enterprise is well documented in both developing (Bornstein 2004; Peredo & Chrisman 2006; Seelos & Mair 2005; Seelos et al. 2011; Yunus 1999,) and developed communities (Doherty et al. 2009; Haugh 2006; Pearce 2003; Shaw & Carter 2007). Despite broad agreement that social enterprise delivers positive socio-economic impact to the community (Galera & Borzaga 2009; Harding 2004; Pearce 2003; Peredo & Chrisman 2006; Seelos et al. 2011) there is a lack of research into the underlying factors that facilitate their formation and development. Indeed the theoretical underpinning of social enterprise remains limited (Barraket et al. 2010), particularly in terms of the nature of the important relationships that are critical to their success (Haugh 2009; Moss et al. 2011; Sharir, Lerner & Yitshaki 2009). Moreover there is scant research into the factors affecting growth of these important ventures (Blundel & Lyon 2012; Hynes 2009) even though social enterprise as a means of socio-economic development continues to evolve with “growing interest from governments, business, the not for profit sector and philanthropy” (Barraket et al. 2010 p. 8).

The development of a social enterprise is typically associated with the pursuit of social entrepreneurs. These are entrepreneurs who, rather than targeting profit maximisation for shareholders, seek to make a difference from a social perspective (Dees 1998a). As such, the social entrepreneur is intent on delivering benefit to the community (Leadbeater 1997; Pearce 2003; Zahara et al. 2009) by creating and developing sustainable business enterprises with a social purpose (Chell 2007; Dees 1998a). This research recognises the potential for the social entrepreneur to deliver positive social change for their community through the social enterprises they create. Therefore a better understanding of the factors that facilitate the development of sustainable models of such ventures is required to maximise the civic potential they offer.

The chapter proceeds as follows. Firstly, the context of the research is established by briefly reviewing the historical background and definition of social enterprise before outlining the dimensions of this growing domain and the potential that social enterprise represents for the community. Next, key issues related to the development of the field are discussed and the aptness of social capital as a theoretical lens for this work confirmed. Finally, the

significance and innovation of the study is established, and its research methods and limitations detailed before an overview of the structure of the thesis is presented.

## **1.2: Historical perspective**

Until the late 1990s, concepts such as “social enterprise” and “social entrepreneurship” were rarely discussed, yet today they are making impacts around the world (Defourny & Nyssens 2010). However, social enterprise is not a new phenomenon (Barraket et al. 2010; Peattie & Morley 2008b; Teasdale 2012b) with some tracing its roots back to the co-operative movements of Victorian England and philanthropic industrialists such as Robert Owen (Doherty et al. 2009; Pearce 2003; Shanmugalingam et al. 2011; Shaw & Carter 2007).

The evolution of social enterprise is highly location specific with differing country variations due to inherent political, historical and cultural stimuli (Defourny & Nyssens 2010; Doherty et al. 2009). In classical continental Europe, for example, the community and democratic principles of the co-operative movement have been highly influential, leading to the development of the legal entities such as the Italian “social co-operatives”(Defourny & Nyssens 2010). In the United States the origins of the field are found in non-profit foundations seeking market-based approaches to secure funding to tackle social problems together with the emergence of “heroic” social entrepreneurs (Dees 1998a; Kerlin 2006; Light 2008). In the UK, co-operative traditions, together with the growth of voluntary and community organisations, provided the foundations for the emergence of social enterprise (Doherty et al. 2009; Pearce 2003; Peattie & Morley 2008b).

Hockerts (2006) identified four overarching threads that broadly explain the emergence of social enterprise in its various forms:

1. Social enterprise delivered an innovative resourcing perspective to the Not-for-Profit (NFP) sector at a point in time when the sector started to hit a “financial crunch” in terms of grant funding.
2. Social enterprise similarly provided a new “market- orientation” to others in the NFP sector seen as a means to deliver sustainable social impact.
3. Social enterprise has become incorporated by many with collective ventures such as co-operatives, community enterprises and mutuals.

4. The growth of an entrepreneurial “social innovation” perspective that aims to use traditional For-Profit commercial methods to achieve social objectives in a financially sustainable manner; or in other words, a “social business” perspective central to this study.

### **1.3: Definition of social enterprise**

Purpose, not structure, defines a social venture (Shaw & Carter 2007). Peattie and Morley (2008a) conclude that two fundamental characteristics are common to all definitions of social enterprise:

1. They trade goods or services in the marketplace, and
2. Their primary aim is targeted social/community benefits rather than profit maximisation for shareholders.

The UK Government influentially defined a social enterprise as:

A business with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximise profit for shareholders and owners (DTI 2002).

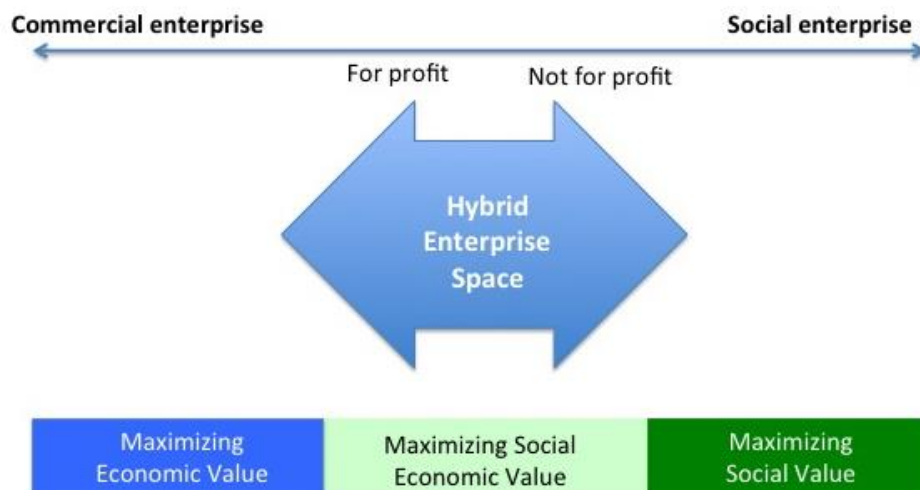
Although for some social enterprise is a contested term (Lyon & Sepulveda 2009; Teasdale 2012b), a recent mapping study in Australia (Barraket et al. 2010) broadly supports an emerging consensus amongst academics and practitioners concluding that social enterprises are organisations that:

- Are led by an economic, social, cultural, or environmental mission consistent with a public or community benefit;
- Are not publicly owned;
- Trade to fulfil their mission;
- Derive a substantial portion of their income from trade; and
- Reinvest the majority of their profits/surplus in the fulfilment of their mission.

## **1.4: Characteristics of the social enterprise**

Social ventures are recognised as having a number of distinct characteristics (Alter 2007; Barraket et al. 2010; Harding 2004, 2006; Leahy & Villeneuve 2009; Peattie & Morley 2008b). Firstly, they are dual-purpose enterprises that need to achieve both a social and an economic goal (Dees 1998b; Doherty, Haugh & Lyon 2014; Florin & Schmidt 2011; Peattie & Morley 2008b; Shaw & Carter 2007; Shergold 2010; Townsend & Hart 2008). Secondly, spanning all business sectors, these enterprises look to source the majority of their revenue from earned income (Barraket et al. 2010; Peattie & Morley 2008b; Villeneuve 2011). They are furthermore predominantly small businesses (Barraket et al. 2010; Harding 2006; Shaw & Carter 2007; Villeneuve 2011) being locally based and delivering a community benefit (Di Domenico, Tracey & Haugh 2010a; Haugh 2006, 2009; Pearce 2003; Robinson 2006; Seelos et al. 2011). As such they are multi-stakeholder ventures (Barraket & Anderson 2010; Clifford & Dixon 2006; Friedman & Sharir 2009; Haugh 2007; Meyskens et al. 2010a; Townsend & Hart 2008). The resourcing of social enterprise is seen to be a critical issue in terms of their development (Haugh 2009; Sharir et al. 2009; Shergold 2010) and its connection with a networked, multi-stakeholder environment is viewed as a key factor in the development of successful social enterprises (Coburn & Rijdsdijk 2010; Meyskens et al. 2010a).

Social enterprises are often depicted as part of the wider social economy or third sector (Doherty et al. 2009; Pearce 2003; Sepulveda 2009; Teasdale 2012b), a sector that is traditionally viewed as comprising voluntary/not-for-profit institutions, associations, foundations and mutuals (Amin, Cameron & Hudson 2002; Barraket & Crozier 2008; Dart 2004). However, given their “dual purpose” social enterprises are increasingly seen as being situated in a hybrid zone between traditional business, the public and the Not-for-Profit sectors (Dart 2004; Doherty et al. 2014; Pearce 2003; Sepulveda 2009; Westall 2009).



**Figure 1.1: Social enterprise hybrid space**

(Adapted from Pearce 2003)

Social ventures, with differing sectoral and stakeholder perspectives, that possess a wide range of notions of what is “social” and what represents appropriate strategies in terms of profit (Jones & Keogh 2006; Ridley-Duff 2008; Westall 2009), are what “differentiates social enterprise from other organisations in the social economy” (Doherty et al. 2009 p. 26). As such “the traditional sectoral demarcations have given way to a spectrum of organisational forms and new hybrids which blend financial and social returns” (Shergold 2010 p. 8). With a growing emphasis towards commercially based “social business” models that often structure themselves as “for-profit” ventures (Dees & Battle-Anderson 2003; Harding 2010; Hockerts 2006; Jones & Keogh 2006; Neck, Brush & Allen 2009; Sabeti 2011; Yunus 2007) ambiguity is created in terms of the status of these enterprises in the third sector (Sepulveda 2009; Sabeti 2011). Hence social enterprise has been conceptualised as sitting independently “in a blurred area between the public, private and third sectors” (Vickers 2010 p. 4). This research looks to examine these enterprises and the significant strategic potential they represent for community development.

### **1.5: Social entrepreneurship**

Traditional entrepreneurs use innovation to improve the productivity of capital and/or labour to achieve commercial and profitable benefit. Some social entrepreneurs invest capital to achieve their objectives whereas some invest time or skill. Those who invest capital may or may not want to recover a return on their investment by, for example, charging a fee. For any social enterprise there are four possible scenarios for cost recovery:

- No cost recovery
- Some cost recovery
- Full cost recovery
- More than full cost recovery (for profit)

Once a social entrepreneur, or a social enterprise, operates in a manner beyond the cost recovery point this social enterprise is embedded in the traditional business environment. The enterprise has therefore moved from operating under the need for philanthropy or public funding to operating in the context of competitive business principles.

Thus whilst social entrepreneurship is fundamentally about creating social impact (Dacin, Dacin & Matear 2010; Diochon & Anderson 2009; Shaw & Carter 2007) as Galera and Borzaga state, although “the goal pursued by the enterprise is social ... the activity carried out has to be managed in an entrepreneurial way” (2009 p. 213). Entrepreneurial capabilities in the context of a social enterprise are critical in not only creating but sustaining these organisations, representing the process of achieving social change through ongoing, innovative entrepreneurial activity (Austin, Stevenson & Wei-Skillern 2006; Corner & Ho 2010; Dees 1998a; Desa 2007; Light 2008; Mair & Marti 2006; Nicholls 2006; Peredo & McLean 2006; Shaw & Carter 2007). Therefore, despite possessing clear similarities with traditional commercial entrepreneurship, social entrepreneurs also exhibit the following specific characteristics (Mair & Marti 2006; Osberg & Martin 2007; Shaw & Carter 2007):

1. An inherent focus on creating social value.
2. A range of different constraints and opportunities in areas such as resourcing strategies, impact measurement and networking resulting from a specific social or community context.
3. Operate ventures with distinct organisational forms.

## **1.6: The significance of social enterprise**

The work of Yunus and the Grameen Bank in transforming the lives of millions of impoverished people in underdeveloped economies suggests that an effective social enterprise can produce significant social benefit. These ventures are furthermore equally important in developed communities (Di Domenico et al. 2010a). The Australian Productivity Commission Report (2010) identifies social enterprise as an important emerging sector in Australia specifying 59,000 “economically significant enterprises” out of 600,000 Not-for-Profit organisations. Further evidence of this significance comes from Barraket et al. (2010 p. 4) observing that there “are up to 20,000 Australian Social Enterprises” within a “mature, sustainable and ... diverse” sector. Moreover, Leahy and Villeneuve (2009) identify UK social enterprise numbers reaching an estimated 62,000 ventures in 2008. According to UK Government statistics these social enterprises have an estimated GDP of twenty-four billion sterling with an estimated “350 million sterling of public money” invested into “social entrepreneurship, charity capacity building and other support for social ventures over the last fifteen years” (Shanmugalingam et al. 2011 p. 4). UK Government surveys (IFF 2005) identify that there are 475,000 people employed by social enterprises representing “5% of all UK businesses with employees” (Doherty et al. 2009 p. 5). Thus the growth of the sector in the UK has been dramatic with around 50% of UK social enterprises emerging in the period 2000-2008 (Leahy & Villeneuve 2009). Recent research estimates even larger numbers of “hidden” social ventures (Harding 2010; Neck et al. 2009). These “hidden” social enterprises are importantly viewed as “more likely to experience faster growth ... create more jobs and have similar growth expectations to mainstream business” (Harding 2010 p. 6).

Social enterprise is therefore widely recognised as delivering positive socio-economic impact to the community (Harding 2004; Hynes 2009; Leahy & Villeneuve 2009; Lyon & Ramsden 2006; Pearce 2003; Shaw & Carter 2007; Thompson & Doherty 2006; Wood & Leighton 2010) particularly when viewed from an aggregated perspective (Diochon & Anderson 2009; Mulgan 2010; Seanor & Meaton 2007). It is therefore of significance to policy makers (Australian Productivity Commission 2010; Blundel & Lyon 2012) evidenced by the UK Government’s targeted development of the field over the last decade (Harding 2006; Mawson 2010; Shanmugalingam et al. 2011; Teasdale 2012b) with social enterprise seen to play an important role in community “regeneration” and local development (Borzaga & Tortia 2009; Harding 2006; Haugh 2007; Peattie & Morley 2008b). An example here is the Scottish Government’s Social Economy Strategy that specifically provided support to social

enterprises for community development (Dorotea, Johnson & Zandonai 2009; Steinerowski & Steinerowska-Streb 2012). Also, according to Barraket et al. (2010) the social enterprise sector in Australia is involved in all aspects of the economy playing a significant employment role in urban and regional communities, making both “social and economic contributions to communities” (Barraket, Eversole & Luke 2012 p. 1).

Social enterprises are generally focused on delivering largely intangible benefits such as social inclusion, equity and social wellbeing as well as economic outputs (Alter 2006; Barraket et al. 2012; Leadbeater 1997; Mulgan 2010; Ridley-Duff 2008) delivering opportunities to those in our communities that are “normally excluded from social and economic activity” (Galera & Borzaga 2009 p. 214). As such, impact measurement can be problematic for social enterprises (Mulgan 2010; Nicholls 2006a). Many contend the value of social enterprise cannot be measured by quantifiable economic metrics alone (Borzaga & Defourny 2001; Mulgan 2010; Pearce 2003). Hence social enterprises establish “their legitimacy when they tackle social exclusion ... or create a viable community” (Ridley-Duff 2008 p. 303). It is this legitimacy, derived from both the purpose and the impact of social enterprise that constitutes a vital ingredient in the development of social enterprises (Bull et al. 2010; Dacin et al. 2010; Mulgan 2010; Peredo & McLean 2006; Ridley-Duff 2008).

Nevertheless, evidence is increasingly being presented that attempts to measure quantitative values for the socio-economic impacts that social enterprise delivers (AMES 2012; Wood & Leighton 2010). For example, the Per Capita Foundation (Hetherington 2011) estimates a specific annual total monetary value to the community of \$46,000 for every long term unemployed person that is placed in work. Hence there is increasing “political consensus around the need for rapid scaling and replication of successful social venture models” amongst policy makers (Blundel & Lyon 2012 p. 2) with social enterprise increasingly viewed as an alternative model for public service delivery by governments around the world (Blundel & Lyon 2012; Defourny & Nyssens 2010).

### **1.7: Social enterprise sustainability**

Sustainability is a “key dimension of social entrepreneurship” (Weerawardena, McDonald & Mort 2010) and in order to ensure ongoing positive social change, social enterprises must be commercially sustainable ventures (Chell 2007; Dees 1998a; Mair & Marti 2006; Shaw & Carter 2007; Yunus 2007). With governments progressively seeking ways to reduce the direct funding of the social sector (Blundel & Lyons 2012; Defourny & Nyssens 2010; Hockerts



2006; Peattie & Morley 2008b) social ventures must increasingly achieve financial autonomy from efficient business operations that incorporate a successful earned income strategy (Coburn & Rijsdijk 2010; Teasdale 2012a; Yunus 2007). Profitability is therefore argued to be fully consistent with social entrepreneurship (Jones & Keogh 2006; Mair & Marti 2006; Peredo & McClean 2006; Wilson & Post 2013) and these enterprises need to move beyond business models largely reliant on external sources of income such as grants and based on a “cost covering” philosophy to one that recognises a need for more than full cost recovery. Only by recognising the need for and executing commercially focused entrepreneurial strategies that deliver surplus can any social business ensure its survival and growth (Chell 2007; Yunus 2007), thus leading to the Hypothesis:

***Hypothesis H1: Social enterprise in today’s economic environment will use standard business growth models for sustainable operation.***

The choice of business model and the associated organisational structure of a social enterprise may represent a factor in their sustainability (Barraket & Anderson 2010; Diochon 2010; Peattie & Morley 2008b; Spear, Cornforth & Aitken 2009; Townsend & Hart 2008). Such selections may impact the resourcing, functioning and success of a social enterprise (Burkett 2010; Doherty et al. 2014; Meyskens et al. 2010b; Townsend & Hart 2008) through access to funding and organisational legitimacy as well as presenting varying commercial outcomes in areas such as taxation (Barraket & Anderson 2010; Mason, Kirkbride & Bryde 2007; Spear et al. 2009; Townsend & Hart 2008).

Research by Sharir et al. (2009) established a theoretical framework for social enterprise “survivability” suggesting the following key factors impacting their sustainability:

1. Access to resources
2. Enterprise legitimacy
3. The networks of the social entrepreneur
4. Organisational capabilities

Furthermore, they stated that “the long term survivability of social ventures depends on their ability to gain resources and legitimacy, create co-operation ... and develop ... organisational capabilities” (Sharir et al. 2009 p. 90) thus providing the foundations for this study and its primary research question.

While these scholars recognise social capital to be a factor, this study proposes that the social capital of the social entrepreneur is in fact the critical underlying element in attaining the necessary resources, legitimacy and collaboration espoused as central to achieving social enterprise survival. On this basis, social capital and its inherent networks are therefore viewed as a key organisational capability of social enterprises and as such the second research question for this project was formulated to address the primary research question (PRQ1) for this study as follows:

- *PRQ1: What are the important factors in the development of sustainable social enterprise?*

To address PRQ1 the following secondary research questions have been formulated:

- *SRQ1: What are the factors that facilitate the development of sustainable social enterprise?*
- *SRQ2: What are the important networks and relationships in this process?*

Hence this study posits that the social capital of the social entrepreneur represents a key underlying factor in the success of a social enterprise. Moreover, the embedded social capital in a community, with its inherent networks and trust, is viewed as being an important factor in the facilitation and support of social ventures (Mair & Marti 2006; Pearce 2003; Peredo & Chrisman 2006; Shaw & Carter 2007; Shergold 2009; Steinerowski, Jack & Farmer 2008). The ability to source key resources, including relationships and information, is viewed as a crucial component of social enterprise success (Diochon & Anderson 2009; Haugh 2009; Hynes 2009; Lyon et al. 2005; Sunley & Pinch 2012).

Along these lines a group of related entities termed “intermediaries”, closely associated with social enterprise development, are identified as having the potential to play a significant role in supporting and propagating the sector (Burkett 2010, 2013; Chertok, Hamaoui & Jamison 2008; Cooch & Kramer 2007; Kneidling & Tracey 2008; Letts, Ryan & Grossman 1997; Lyons, North-Samardzic & Young 2007; Mendell & Nogales 2009; Nicholls & Pharoah 2007; Porter & Kramer 1999; Ryan 1999; Shanmugalingam et al. 2011).

These specialist organisations, as Shanmugalingam et al. observe, provide the sector with “an intermediation role, aggregating and matching finance, skills, physical collaboration space, evidence, technologies and networks” (2011 p.18). However, despite the emergence of

these intermediaries and their role in terms of social enterprise development (Kneidling & Tracey 2008) with over one hundred such organisations estimated to operate in the UK (Shanmugalingam et al. 2011), the intermediary in Australia is, by comparison, under represented (Burkett 2013).

Hence the projects third research question relates the role of intermediaries, particularly in relation to their capacity to facilitate successful collaborative relationships:

- *SRQ3: What is the role of intermediaries in the development of sustainable social enterprises?*

Despite the aforementioned salience of social capital to social enterprise success there is limited research into both the extent and the nature of the important relationships within the social enterprise domain (Haugh 2009; Moss et al. 2011). Given that trust is viewed as an important prerequisite for successful relationships (Leana & Van Buren 1999; Nahapiet & Ghoshal 1998; Prusak & Cohen 2001; Putnam 1993; Woolcock 1998) with “the development of a trusting relationship pivotal ... if the real benefits of networking are to accrue” (Brunetto & Farr-Wharton 2007 p. 382) there is “surprisingly little research examining trust, or perceived trust, between social enterprises” (Ridley-Duff & Bull 2011 p. 89). This research seeks to test the degree to which trust impacts the sustainability of social enterprises offering the following additional Hypothesis and resultant primary research question:

***Hypothesis H2: Trust impacts the sustainability of social enterprises by reducing the barriers to collaboration that support organisational growth.***

- *PRQ2: What is the role of trust in the development of sustainable social enterprises?*

Social Capital Theory is thus positioned as the primary theoretical foundation of this study and is discussed in Chapter 2.

## **1.8: The significance and innovation of the research**

Social enterprises are increasingly attracting the attention of policy makers as a means of delivering increased social impact and social justice to the community (Barraket et al. 2010; Harding 2006; Mawson 2010; Teasdale 2012b). Yet to date, despite widespread recognition that to deliver their social goals social enterprises themselves need to be commercially sustainable (Chell 2007; Dees 1998a; Mair & Marti 2006), there has been limited empirical

attention given to understanding how these important dual-purpose ventures survive. By examining a cross-section of these enterprises of varying organisational type, culture, size as well as international jurisdiction, this research seeks to explore the factors that enable these enterprises to sustain themselves over time. In so doing, the research aims to provide significant advances in our ability to understand and thus influence the important factors that facilitate the sustainability of such enterprises.

Social capital is viewed as a strength of the field (Bull et al. 2010; Pearce 2003; Ridley-Duff 2008) representing a factor in social enterprise success (Haugh 2009; Jiao 2011; Meyskens et al. 2010a; Sharir & Lerner 2006; Shaw & Carter 2007). However, there has been limited work on understanding how and what aspects of social capital are critical to social enterprise sustainability. Further, there has been limited research, particularly in an Australian context, into the role of intermediaries and social enterprise development (Burkett 2013).

The selection of a mixed methods methodology for this research is also seen as innovative. As a “pre-paradigmatic field” requiring both exploratory and confirmatory research to develop and extend theory (Nicholls 2010), social enterprise research to date has strongly relied on case study grounded theory with a predominant focus on the “heroic” social entrepreneur (Peattie & Morley 2008b; Short, Moss & Lumpkin 2009). Whilst establishing important formative insights into this emergent field, current research has been predominantly qualitative and “quantitative research remains rare ...” (Doherty et al. 2014 p. 15). The use of mixed methods attempts to address the knowledge gap by focusing its enquiry at both the enterprise and the entrepreneurial level seeking a wider range of potentially complementary data to enable greater comparative analysis and insight. The research furthermore includes a significant cross-country dimension, largely missing to date in social enterprise research (Dacin et al. 2010; Short et al. 2009) that enables additional levels of comparative analysis and exploration of the research issues, expanding the projects applicability across these jurisdictions.

This research is therefore deemed to be significant and innovative on a number of levels and as such will inform academics, practitioners and policy makers alike.

## **1.9: Research methods**

The central objective of this research is to identify the key factors that influence the sustainability of social enterprises including the associated important relationships and

networks that impact this process. The pragmatic paradigm lends itself to this study as it draws upon the deductive, empirical objectivity of the positivist as well as the more inductive, value- bound, socially constructed reality of the constructivist (Creswell & Plano 2007). Indeed pragmatism is viewed as relating particularly well to “research that has important societal consequences” (Teddlie & Tashakkori 2009 p. 91) focused upon the consequences of actions, whilst being problem-centred, pluralistic and real- world practice orientated (Creswell 2009). Given the diversity and value-laden aspects of this research topic, situated as it is within the domain of social enterprise with its real-world, socially focused context, the pragmatic worldview is deemed a natural fit.

Underpinned by the philosophical assumptions of pragmatism (Teddlie & Tashakkori 2009), mixed methods research purposefully combines or associates both quantitative and qualitative approaches in a study, providing “a better understanding of the research problem than either approach alone” (Creswell & Plano 2007 p. 5). This project, with its exploratory focus, combined inductive and deductive thinking, drawing out diverse viewpoints where the interpretation of values can be important. The combination of methods enables convergence and integration of data in a complementary manner adding depth and breadth to the research that can expand and elaborate exploratory research findings (Creswell & Plano 2007). Therefore, a mixed methods approach was deemed optimal.

The project was further undertaken using a concurrent triangulation mixed methods variant during interpretation (Creswell & Plano 2007; Yin 2011) deemed most appropriate when the researcher, as in this study, seeks to “compare and contrast” both qualitative and quantitative findings to better comprehend the research issues (Creswell 2009 p. 62).

The study incorporated a survey developed for the research, based upon pre-validated instruments from a related field that elicited quantitative data relating to the research issues. Furthermore semi-structured interviews were administered to gain complementary qualitative information that allowed richer and deeper analysis. The project sample was purposefully sourced to reflect the diversity of the domain. Once collected, the data was analysed using SPSS software to uncover descriptive and relational insights of the quantitative data, and staged coding and pattern matching of the qualitative data uncovered emergent themes from the qualitative data. The convergence and integration of the combined data enabled the researcher to better understand and explore the research issues and develop meaningful contributions from the work.

### **1.10: Limitations of the research**

There are several limitations inherent in this project. Firstly, the sample size selected, whilst enabling abundant descriptive analysis of the quantitative data produced, significantly restricts the use of multivariate analysis and the ability to reliably test the interdependence and relationships between factors or variables (Hair et al. 2009; Tabachnick & Fidell 2007). Given the purposeful inclusion of a cross-section of social enterprise organisational types, the sub-sets produced therefore resulted in small sub-samples that again limit the ability to confidently generalise based upon the findings. Furthermore, collecting data from two countries jurisdictions represents a further limitation to the research given that social enterprise is recognised as a global phenomenon (Defourny & Nyssens 2010; Diochon & Anderson 2010; Kerlin 2006). Finally, the data was collected from only one individual in each social enterprise, albeit the nominal leader of the venture, thus being reliant upon their perspectives. This approach therefore does not take into account the views of other associated individuals or stakeholders.

### **1.11: Structure of the thesis**

This thesis comprises nine chapters. In **Chapter 1** the context of the research was established by briefly reviewing the background and definition of social enterprise before the dimensions of this growing domain and the potential that social enterprise represents for the community were outlined. Next, key issues relating to the development of sustainable social enterprises were discussed and the salience of social capital as a theoretical lens for this work confirmed. Finally, the significance and innovation of the study was established.

**Chapter 2** examines Social Capital Theory (SCT) as the theoretical framework upon which this research is structured. The chapter defines and reviews the key characteristics and dimensions of SCT proceeding to examine the main conceptualisations of the theory that inform this research.

In **Chapter 3** a review of the literature relating to the issues under examination in this research is detailed with gaps in the relevant literature identified. The key areas covered include an in-depth review of the domain of social enterprise itself including the factors relating to the emergence and development of these enterprises as well as the literature associated with aspects of organisational sustainability such as growth and the role of intermediaries. The notion of organisational networks and collaboration including a review of the concept of trust is presented.

**Chapter 4** is concerned with the methodology incorporated in this project. Justification for the selection of the pragmatic epistemology as well as the mixed methods approach is presented before key issues relating to the data collection itself including survey design, sampling decisions and data collection protocols to ensure the reliability and validity of the research are detailed.

The qualitative results of the research are analysed in **Chapter 5**. Garnered from both the semi-structured interviews as well as the open-ended questions embedded in the survey the findings are presented as dominant themes that emerged from the data analysis. The chapter ends with a summary of the significant findings in the qualitative data.

**Chapter 6** conversely discusses the projects quantitative results. From these results the project's quantitative findings emerge largely through the descriptive analysis of the data obtained via the survey instrument, limited but important relational analysis is also outlined. Again, the key findings are summarised at the conclusion of the chapter.

The selection of a mixed methods approach for the project allows **Chapter 7** to discuss an analysis of the combined results and findings of this study in the light of prior research and the context of social enterprise sustainability.

**Chapter 8** summarises the major contributions to our understanding of social enterprise sustainability that pertain to this research as well as the limitations that relate to this study's findings.

Finally, **Chapter 9** proceeds to identify the significant implications for academics, practitioners and policy makers alike before identifying areas for further investigation that emanate from this work.

## **CHAPTER 2: THEORETICAL BASIS OF THE RESEARCH INTO SOCIAL ENTERPRISES**

### **2.1 Introduction**

The preceding chapter established the background and central research issues of this study and concurrently identified Social Capital Theory (SCT) as the principal theoretical lens through which the issue of social enterprise sustainability will be addressed. This chapter examines in detail the concept of social capital, establishing it as a phenomenon that delivers beneficial resources to an entity through the assets that inhere from relationships (Adler & Kwon 2002; Lin 1999; Woolcock 1998). In the context of this study, this importantly infers that social capital is not only of potential benefit to individuals (Burt 1992; Lin 1999) and organisations (Adler & Kwon 2002; Nahapiet & Ghoshal 1998) but equally to any given community (Putnam 1993; Woolcock 1998).

#### **2.1.1: Social capital, social enterprise and the community**

Woolcock observed that where an “apparent absence” of social capital existed in a community “seemingly obvious opportunities for mutually beneficial collective action are squandered” whereas conversely, when present, social capital presents the potential for “... facilitating collective action for mutual benefit” (1998 pp. 153-155). Woolcock further suggests that the source and effect of social capital in a communal context is a function of interrelated forms of social capital that are impacted by both the extent and strength of intra and extra-community relationships as well as being influenced by socio-structural dimensions that include community and institutional relations.

Therefore, given that the goal of social enterprise is to deliver value to the community (Haugh 2007; Pearce 2003; Peredo & Chrisman 2006) with social enterprise being widely recognised as building communal social capital (Birch & Whittam 2008; Bull et al. 2010; Pearce 2003; Ridley-Duff 2008) there seemingly exists a fundamental relationship between the community, social enterprise and social capital. For by creating and developing relationships, building trust, reciprocity and providing avenues for altruistic behaviour in the community, social enterprise develops the social assets of a community at the same time as delivering more tangible socio-economic and environmental civic benefits. Conversely, social enterprises may concurrently leverage these same communal relationships to access legitimacy and resources that help such ventures emerge and sustain themselves (Myskens et



al 2010a). It is this apparent symbiotic nexus of social capital between a social enterprise and its community that is central to the issue of social enterprise sustainability examined in this thesis.

As such, the concept of social capital is examined in detail in this chapter commencing with a review of its background and definition. This is followed by its major characteristics, benefits and risks and an analysis of significant theoretical frameworks of SCT that inform this study.

## **2.2: Social Capital Theory – a background**

From the formative work of scholars such as Bourdieu, Coleman and Putnam, SCT has emerged “as one of the most salient concepts in social sciences” (Lin 1999 p. 28). The “first systematic analysis of social capital” undertaken by Bourdieu (Portes 1998 p. 3) fundamentally identified that the social capital produced by relationships delivers the potential for individual gain, or loss, just as with traditional financial capital. Further, it was identified that the returns obtained from social capital were impacted by the extent and value of the network connections and the acquisition of social capital requires investment from the individual (Bourdieu 1986).

Work by Coleman (1988) focused more on how social capital arose as a function of social structures, with an important emphasis on the generation of social capital via norms, trust and the expectations of reciprocity in social exchange. Burt (1992) importantly emphasised the individual benefit from network strategies, placing significance on an individual’s location in a network and their ability to connect with or act as a bridge between diffuse groups and thus beneficially “broker” information between these groups. To Burt, social capital was essentially a private asset with investments in social capital made with an expected individual return (Burt 1992, 2001).

Putnam on the other hand, considered social capital more from a community or civic perspective, focusing on the collective capacity to use networks, norms and trust to achieve shared goals (Putnam 1995). The “civic-ness” of social capital was also recognised by Portes (1998, 2000) who importantly emphasised that although most literature on social capital concentrates on positive outcomes, social capital might also produce negative consequences, particularly from strong, cohesive networks, such as group-think, “free-loading” and its ability to bar access to groups.

From these foundations SCT has developed into a significant domain within the social sciences with extensive research undertaken to better understand and extend the theory. Before considering the major characteristics of SCT the next section will review how the concept has been defined.

### **2.3: Defining social capital**

Social capital is both embedded in, and a function of, social relations. As Leana and Van Buren note social capital “is broadly defined as an asset that inheres in social relations and networks” (1999 p. 538). Thus social capital is the value developed within social networks enabling people to individually and collectively leverage potential benefit (Lin 1999; Putnam 1995; Woolcock 1998). The concept is comprehensively summarised by Nahapiet and Ghoshal as:

... the sum of actual and potential resources embedded within, and available through, and derived from the network of relationships possessed by an individual or social unit ... Social capital thus comprises both the network and the assets that may be mobilised through that network (1998 p. 243).

This definition emphasises the centrality of both individual and extended network relations as the “nexus of interaction” within and between networks unlocks the resources of social capital (Lee 2009 p. 252), leading to the “goodwill” it generates and the associated benefits of “information, influence and solidarity” (Adler & Kwon 2002 p.18). Significantly, these benefits accrue similarly at the individual (Burt 1992; Lin 1999) and collective level with the collective seen to incorporate community groups, organisations, regions and even nations (Adler & Kwon 2002; Coleman 1988; Fukuyama 1995; Putnam 1993; Woolcock 1998).

However, to comprehensively understand social capital requires a conceptualisation of the context in which it exists (Nooteboom & Gisling 2004). Therefore factors such as community, market and institutional relations as well as social relations must be considered (Adler & Kwon 2002; Lee 2009; Woolcock 1998; Woolcock & Narayan 2000). As Lee observes (citing Ostrom 1998 and Skocpol et al. 2000) social capital and its social interactions are also an “outcome facilitated or constrained through macro conditions such as government, political and market interventions” (2009 p. 252).

## 2.4: The characteristics of social capital

Having considered the definition and scope of social capital this section examines in more detail the main elements and outcomes of this theory as detailed in the following table.

<b>Social capital as a resource</b>
<b>Networks and the strength of ties</b>
<b>Norms, values and beliefs</b>
<b>Reciprocity</b>
<b>Trust</b>
<b>Public Policy</b>
<b>Individual and organisational social capital</b>
<b>Benefits and risks of social capital</b>

**Figure 2.4: Key elements of social capital**

(Created by author for this paper)

These characteristics of social capital provide a foundation for this research and insights into the role that social capital may play in the success of social ventures. They identify not only the value that social capital may represent to such ventures but also important perspectives into its origins, influences and importantly how it is sourced and developed.

### 2.4.1: Social capital as a resource

A resource is an asset that delivers the means to a benefit or return, typically requiring some investment to capture surplus value (Lin 1999). Economists have traditionally referred to land, labour and physical capital as the core resource factors of economic growth with human capital seen to influence how productively these factors are utilised (Woolcock 1998). However without relationships with others even the most capable individuals will not optimise their activities (Woolcock 1998). Hence social capital, inhering in social relations, can be regarded as a form of capital (Adler & Kwon 2002; Lin 1999; Nahapiet & Ghoshal 1998; Portes 1998).

Social capital, being a resource available to individuals and collectives (Burt 1992; Lin 1999; Nahapiet & Ghoshal 1998; Putnam 1993; Son & Lin 2008; Woolcock 1998) displays a range of important fundamental characteristics similar to other forms of capital. Firstly, like other forms of capital, it requires investment in order to be obtained but once acquired leads to potential gain for the individual or collective (Bourdieu 1986; Lin 1999; Nahapiet & Ghoshal 1998). As Adler and Kwon observe, "... building social capital requires considerable investment in establishing and maintaining relationships" (2002 p. 30) and furthermore it is "like other forms of capital a long-lived asset that can be augmented through the investment of other resources with an expectation of future benefits" (2002 p. 22).

By pursuing strategies that develop social capital an enterprise may access valuable resources and future benefits. For example, by undertaking networking activities that expand the number of relationships a business may accrue benefits from enhanced access to assets such as information (Ardichvili, Cardozo & Ray 2003; Brunetto & Farr-Wharton 2007; Singh et al. 1999). Similarly, improving the quality of existing relationships by investing extra time in them may create more trusting relations with the potential of enhanced collaborative benefits (Brunetto & Farr-Wharton 2007). Furthermore, an enterprise may also enhance its innovative capabilities (De Koning 2003; Tsai & Ghoshal 1998), its effectiveness (Leana & Van Buren 1999; Nahapiet & Ghoshal 1998) and its competitive advantage (Adler & Kwon 2002; Burt 2001; Lin & Erickson 2008).

Additionally, social capital is appropriable (Coleman 1988). An entrepreneur may adjust a relationship that provides moral support to one that delivers financial assistance. Similarly "social capital developed in one context, such as ties, norms and trust, can often be transferred from one social setting to another" (Nahapiet & Ghoshal 1998 p. 253). Examples cited by these authors are the transfer of trust from a family into a work situation (Fukuyama 1995) or the aggregated social capital of the individual to an organisation (Burt 1992).

In the context of a social enterprise, the social capital of the founding entrepreneur or business leader can be usefully appropriated to the benefit of the organisation. Moreover, social capital can also be appropriated across and between the members of a network or collective (Tsai & Ghoshal 1998). This point is highlighted by Portes (1998) when citing Coleman's example of the strong norms held by the Jewish diamond traders of New York, shown to beneficially share advantages associated with norms of trust across the members of the network thereby reducing transaction costs. From a social enterprise perspective this may

enable a new social organisation to beneficially appropriate generalised positive social values and legitimacy from other similar ventures and/or the community that then becomes beneficial in securing access to funding or in increasing trading activity.

Social capital can also usefully complement other forms of capital (Adler & Kwon 2002) including human capital (Burt 2001), or playing a beneficial mediating or amplifying role to enhance an overall effect (King 2004; Prusak & Cohen 2001). A social entrepreneur may strategically leverage their social connections to enhance their credibility when negotiating the acquisition of important resources or contracts with third parties with whom they are unacquainted. However, social capital also requires “maintenance” in the same way that physical and human capital does. All relationships need to be worked on over time and the social capital within relationships can therefore appreciate or conversely deteriorate as a result (Adler & Kwon 2002; King 2004; Leana & Van Buren 1999). There is inherent investment associated with social capital both initially to acquire it, and then ongoing “costs” to develop and maintain the asset (De Koning 2003). This is an important feature of social capital from an organisational perspective, where the cost-benefit of social capital needs to be carefully assessed (Adler & Kwon 2002) and is particularly pertinent in resource-scarce small businesses such as many social enterprises (Haugh 2007).

Social capital “costs” are directly related to the distinct difference it holds in relation to most other types of capital. As a direct consequence of social capital being embedded in the social relations between parties, the inherent value of social capital does not reside with any particular individual or collective but is a shared and jointly owned asset and not the private property of its beneficiaries (Coleman 1988; Lin & Erickson 2008; Nahapiet & Ghoshal 1998). As Burt observed, no party in a relationship controls the “exclusive ownership rights to social capital” (1992 p. 58). Thus, should one party in any relationship withdraw, the connection becomes defunct. Therefore, for the benefits of social capital to flow in any given relationship, co-operation is mandatory. Hence, as is discussed later, relational factors that promote co-operative ties and cohesion such as trust, shared values, norms and obligations are important elements of a network.

As a relational asset, social capital is recognised to be more intangible in nature than other forms of capital. Whereas economic capital can be represented by money in the bank or human capital may be demonstrated by a person’s skills and knowledge, the relational content of social capital is far less tangible (Bourdieu 1986; Coleman 1988; Lin 1999; Portes

1998). In fact, the intangibility of social capital can be problematic as it makes the measurement of the asset difficult (Portes 1998). In an organisational context, any enterprise needs to be able to measure outcomes to enable the effectiveness of its strategies to be assessed, particularly where costs are incurred. This is an important issue for social enterprise in terms of organisational legitimacy where, arguably, a major beneficial outcome, or by-product, of social enterprise activity is the generation of social capital within the community (Bull et al. 2010; Ridley-Duff 2008).

In summary, social capital is recognised as a valuable resource for individuals, organisations and communities. As such it provides an enterprise access to valuable information, legitimacy and resources. However, it is not without cost, requiring investment by the entity in its acquisition and equally requiring ongoing “maintenance” to ensure that its inherent relationships do not deteriorate. Social capital is appropriable between entities and often complementary in terms of other assets such as human capital requiring strategic management if the full benefit is to accrue to individuals, enterprises and communities.

#### **2.4.2: Networks and the strength of ties**

A network is a structure that comprises “a set of relationships between a set of individuals” (Conway & Jones 2012 p. 341) representing people that are directly or indirectly linked in a social group (Casson 1997) providing the framework and means for people to interact (Prusak & Cohen 2001). Networks consist of relationships developed through social interaction (Granovetter 1973), with individuals “variably connected to one another as a function of prior contact, exchange and attendant emotions” (Burt 2001 p. 348). As such, networks are fundamental in developing and mobilising social capital given that the “network of social ties” provides an entity with “the opportunity to leverage ... the contacts resources” (Adler & Kwon 2002 p. 24) and accrue the aggregated value available from the network (Granovetter 1973; Levin & Cross 2004; Nahapiet & Ghoshal 1998). Importantly, the structure of a network has several contextual features that impact its effectiveness for an individual or entity, namely its size, density, stability and centrality, or location, within the network (Nooteboom & Gisling 2004).

Research demonstrates that the nature and value of networks depends on the intrinsic strength of the inherent ties (Burt 1992; Granovetter 1973; Lee 2009; Levin & Cross 2004; Nooteboom & Gisling 2004,) with the strength of a tie being a combination of its emotional intensity as well as the frequency and duration of interaction and level of reciprocity involved

(Granovetter 1973). As such, two main network conceptualisations have developed, one that is centred on strong ties that lead to closed or “bonding” networks (Coleman 1988; Putnam 1993; Woolcock 1998) and another based on weak ties that engender more open, “bridging” (Burt 1992; Putnam 1993; Woolcock 1998) or “external” (Adler & Kwon 2002) networks.

#### **2.4.2.1: Strong ties and closed networks**

Where strong ties predominate, closed, cohesive structures emerge with such networks consisting of relationships that display longevity, frequent interaction, mutuality and intimacy (Coleman 1988; Lee 2009; Woolcock 1998) representing the “bonding” network linkages that help bind the members of a group or community (Putnam 1993; Woolcock 1998). These relationships exhibit a high degree of homogeneity emanating from shared values, beliefs and norms that typically engender high levels of trust and reciprocity within the network (Coleman 1988; Portes 1998) and deliver greater opportunity for support, information sharing and co-operation (Coleman 1988; Granovetter 1973; Woolcock 1998).

Closed networks also lower the risk of co-operation amongst members due to norms of trust, obligations and sanctions (Coleman 1988) or as Burt succinctly observes “network closure facilitates sanctions that make it less risky for people in a network to trust one another” (2001 p. 207). This “enforceable trust” (Portes 1998 p. 10) is further supported in such groups by “norms of reciprocity” (1998 p. 7) whereby the expectation of repayment by a donor in a closed network is akin to holding a “social chit” (Portes 1998 p. 7) to be repaid at some unspecified future time with repayment being more flexible than in a contractual situation. Conversely, as is discussed later, closed networks can also display several disadvantages such as a lack of innovation and access to diverse information as a result of their homogeneity and intimacy (Burt 1992; Granovetter 1973; Nooteboom & Gisling 2004; Son & Lin 2008) as well as “free-loading” and exclusivity (Portes 1998).

As a result of their enhanced trust and generalised reciprocity, closed networks can beneficially engender valuable cooperation, obligation and solidarity within a network, being particularly valuable from a community development perspective (Adler & Kwon 2002; Portes 1998; Putnam 1993; Woolcock & Narayan 2000). Similarly for organisations, these networks may promote benefits such as collaboration and inter-firm resource exchange (Nahapiet & Ghoshal 1998; Tsai & Ghoshal 1998), increased flow of information (Adler & Kwon 2002; Tsai & Ghoshal 1998), the development of new practices (Nooteboom & Gisling 2004), reduced transaction costs (Coleman 1988; Uzzi 1999) and provide the resources and

knowledge to develop entrepreneurial opportunities (De Koning 2003; Hoang & Antoncic 2003).

#### **2.4.2.2: Weak ties and open networks**

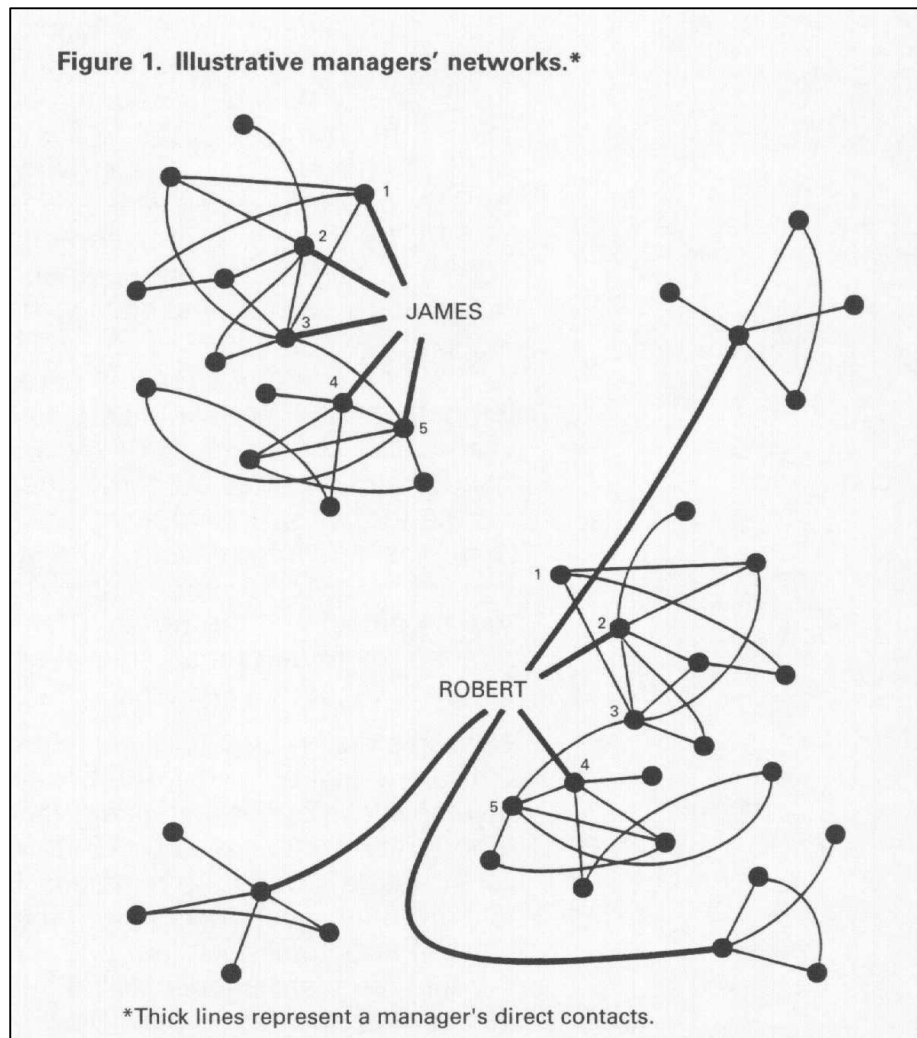
On the other hand, weak ties are seen to facilitate open networks that entail heterogonous relationships exhibiting lower emotional attachment with less frequent interaction, often being held between persons with diverse backgrounds (Granovetter 1973; Portes 1998; Woolcock 1998). Individuals usually have far more weaker ties given that they represent an individual's broader range of acquaintances with such ties seen as "bridging" connections "across diverse social cleavages" (Lee 2009 p. 250). As a result of their lack of inherent intensity, theorists have argued that weak ties may represent more value to the individual than stronger connections, principally as a result of access to wider sources of information and influence (Adler & Kwon 2002; Burt 1992; Granovetter 1973). For whilst a closed network may deliver benefits associated with higher trust, reciprocity and support, the very homogeneity of such groups can also be disadvantageous as this will often result in overlapping or redundant information and have the potential to stifle new ideas and innovation (Burt 1992; Granovetter 1973). Whereas by bridging the "structural holes" between networks through their weaker connections an individual may beneficially access more diverse information and influence from more heterogonous relations (Burt 1992, 2001).

#### **2.4.2.3: Structural holes and brokerage**

Therefore whilst a group's "density, connectivity and hierarchy" are important structural properties influencing the flow of information within and between networks (Nahapiet & Ghoshal 1998 p. 252) an individual's location in the network structure is also deemed salient (Burt 1992, 2001; Nooteboom & Gisling 2004). Building on Granovetter's (1973) argument that closed homogenous networks produce redundant information, Burt (1992, 2001) developed the notion of "structural holes" between networks which posits that an individual's weaker ties represent bridges across metaphorical "holes" between networks creating the potential for brokerage and competitive advantage for the "individual whose network spans the holes" (2001 p. 208). These weak ties deliver the opportunity for privileged individuals that sit between unconnected networks to "circulate in different flows of information" (Burt 2001 p. 208) and thus become a "broker" across these structures, accruing advantages in terms of information and influence (Burt 1992; Lee 2009; Patulny & Svendsen 2007). Such brokerage is a common attribute of entrepreneurs as structural holes occur more commonly where an individual possesses many disconnected contacts across sparse networks (Burt



2001). The following diagram illustrates Burt's concept wherein *Robert* is shown to have greater access to additional contacts than the closed network of *James* through the ability to connect across the structural holes of the weak connections between more diverse and unconnected networks.



**Figure 2.4.2.3: The extended networks available from structural holes**  
(Burt 1992)

In the context of social enterprise the concept of structural holes may represent a social entrepreneur's diverse networks leading to opportunity recognition and the sourcing of resources for an emergent or developing social venture. Importantly, Burt notes that whilst brokerage across structural holes is a source of valuable opportunity, at the same time, "network closure can be critical to realising the value" of the opportunities that brokerage captures (2001 p. 236). The support and trust provided by stronger relationships in closed networks often enables the individual to better understand the opportunities that brokerage

presents (Burt 2001). The potentially stronger connections associated with shared values and goals such as those found in the social enterprise domain, may present added potential for the social entrepreneur if they are leveraged in combination with their weaker connections.

#### **2.4.2.4: Network contingencies**

The relative benefits of open or closed networks will furthermore depend on a variety of contextual factors. These include individual characteristics, occupation and organisational or community cultural influences (Podolny & Baron 1997). Similarly, Adler and Kwon (2002) suggest individual abilities and competencies are a precondition of network effectiveness. Motivation is also a factor in determining the relative value of a particular network, as the mere fact that a tie exists does not automatically mean that social capital effects will materialise (Adler & Kwon 2002). Shared values, norms and trust are viewed as important motivating factors in positively influencing the development of social capital (Portes 1998; Putnam 1993) or similarly the willingness to define and pursue collective goals (Leana & Van Buren 1999). Additionally, macro environmental factors such as government policy also impact the development of social capital (Adler & Kwon 2002; Nooteboom 2006; Woolcock 1998). For example, public policy can facilitate the development of community relationships and partnerships (Woolcock & Narayan 2000) as well as network activity amongst small businesses (Brunetto & Farr-Wharton 2007).

In summary, networks are widely recognised as offering an entity considerable opportunity representing a critical factor in accessing beneficial information and resources (Adler & Kwon 2002; Brunetto & Farr-Wharton 2007; Burt 2001; Nahapiet & Ghoshal 1998; Tsai & Ghoshal 1998). Indeed there is considerable evidence that entrepreneurial networks are important to enterprise emergence and development, as such networks provide business knowledge and access to resources and exchange (Aldrich & Zimmer 1986; Brunetto & Farr-Wharton 2007; De Carolis & Saporito 2006; Shaw 2006; Starr & MacMillan 1990). Both open and closed networks may equally deliver benefits (Levin & Cross 2004; Lin 1999; Woolcock & Narayan 2000; Nooteboom & Gisling 2004). Indeed, in line with Burt (2001), Hoang and Antoncic (2003) posit that the most effective networks comprise a mixture of strong and weak ties. Similarly, De Carolis and Saporito conclude that it is a diversity of ties that “creates the structural holes that lead to entrepreneurial opportunity” (2006 p. 52). Hence, social networks are an important factor in the development and sustainability of any organisation, including socially orientated ventures.

### **2.4.3: Norms, values and beliefs**

A norm exists when a group, rather than the individual, establishes a “socially deemed right to control an action” establishing “a degree of consensus in the social system” (Nahapiet & Ghoshal 1998 p. 255). Social norms represent accepted behavioural obligations for the members of a network determining the standards of individual and collective behaviour anticipated by the members of a group (Fehr & Fischbacher 2004). Thus, “regulatory norms”, together with the level of trust in any group, are essential components of the value system of a network (Portes 1998) representing an important determinant of social capital as it calibrates behaviour in a relationship or network (Adler & Kwon 2002; Coleman 1988; Putnam 1993; Tsai & Ghoshal 1998). Putnam (1993) asserts that the actual sources of social capital are to be found not only in networks but also in the inherent norms within the network as they can engender a motivation to engage in exchange and co-operation (Nahapiet & Ghoshal 1998).

Social norms are thus shaped by the shared values, beliefs and goals that develop within a group (Coleman 1988; Putnam 1993) as they deliver a system of meaning that fashions the functioning of the network (Nahapiet & Ghoshal 1998) leading to a collective perspective, which reduces the possibility of opportunistic behaviour by self-interested individuals (Adler & Kwon 2002). Where members share similar norms and beliefs they develop norms of trust over time (BarNir & Smith 2002). Therefore, values and beliefs are fundamental to any network as they provide a framework of meaning and identity from which the individual and/or collective draw guidance. Nahapiet and Ghoshal suggest that this represents “identification” whereby the members of the network “see themselves as one” (1998 p. 256). Tsai and Ghoshal (1998), citing Sitkin and Roth, suggest that trusting relationships are fundamentally based on “value congruence” and that collective goals and values will lead to greater co-operation. This may be the case even if the members of an organisation do not have direct interpersonal relations (Coleman 1988; Tsai & Ghoshal 1998).

### **2.4.4: Reciprocity**

Reciprocity is a central feature of social capital wherein social exchange is not based upon immediate return but involves a level of trust inferring that by helping someone now some form of return will ensue in the future (Portes 1998; Putnam 1993). This is particularly so when viewed from a community or collective perspective (Adler & Kwon 2002; Fukuyama 1995; Putnam 1993) and represents a key element of the communitarian view of SCT (Lee

2009). As the norm of “generalised reciprocity” (Portes 1998; Putnam 1993), it represents an aspect of social capital that, like trust and shared values, leads to co-operation for common or civic wellbeing (Putnam 2000).

Likened to a “social credit” (Coleman 1988) representing an “accumulation of obligations” (Portes 1998 p. 7), reciprocity differs from structured, contractual arrangements in that they may be repaid in a variety of different forms and the timing of repayment is open-ended (Portes 1998; Putnam 1993). The development of trust within the network is fundamental to facilitating reciprocity between members as there is an expectation that the obligation will be fulfilled despite the lack of any formal control (Adler & Kwon 2002; Putnam 1993).

Reciprocal exchange is more likely in cohesive groups that exhibit trust and solidarity (Fukuyama 1995; Lin 1999) with inherent shared values and goals (Coleman 1988; Putnam 1993). Although reciprocity in such groups is generally beneficial, there is potential for negative consequences. Reciprocal norms in tightly knit communities or groups may lead to some less diligent members “free loading” on other group members with collective benefits and opportunities being dissipated (Adler & Kwon 2002; Portes 1998). However, the aforementioned “norm of generalised reciprocity” is important from a collective perspective as it helps to “bind communities” (Adler & Kwon 2002 p. 25) by creating obligations amongst group members rather than being driven by self-interest (Adler & Kwon 2002; Portes 1998).

Hence, there is considerable opportunity at a community level for social ventures to benefit from the acquisition of civic reciprocity towards the enterprise. The organisational legitimacy that these ventures can develop within their community as a result of the innate values and goals as well as the delivery of beneficial civic service represents an opportunity for beneficial reciprocal behaviour for these ventures on a number of levels. Social ventures may secure an enhanced reciprocal motivation within the community to trade with the entity, gain useful support from local private and public organisations or access volunteering assistance from within the community.

#### **2.4.5: Trust**

Trust is a multi-dimensional phenomenon generally viewed as a willingness to be vulnerable (Nahapiet & Ghoshal 1998; Rousseau, Sitkin, Burt & Camerer 1998) that infers a readiness to depend on others (Brunetto & Farr-Wharton 2007). However there further lies within trust a belief that someone will conform to the inherent expectation or agreement (Nooteboom

2006). This may be because of a “controlling” contractual or hierarchical relationship or a perception by the trustor of inherent trustee self-interest, thus representing an in-built “incentive” mechanism (Nooteboom 2006) viewed by scholars as representing “calculus-based trust” (Lewicki & Bunker 1996). However there also exists a potentially “stronger notion of trust which goes beyond self-interest” (Nooteboom 2006 p. 1) that is found in altruistic notions of benevolence or goodwill (Das & Teng 1998; Nooteboom 2006). The sources of such “real trust” lie in “established, socially inculcated norms and values” (Nooteboom & Gisling 2004 p. 8) which, when combined with reciprocity and the empathy of people that think and feel the same way, can constitute “identification-based trust” (Lewicki & Bunker 1996; Nooteboom & Gisling 2004). Although this form of trust is deemed powerful, with research supporting the notion that the existence of common values and goals makes individuals more likely to trust the members of a network (Gefen, Rose, Warkentin & Pavlou 2005) it should not be seen as completely “unconditional and is subject to limits” (Nooteboom & Gisling 2004 p. 7) as aspects of competence and intention always need to be assessed with the potential of opportunistic behaviour ever present.

The level of trust in a relationship is also contextual, dependent on factors such as the perceived trustworthiness of the trustee (Leana & Van Buren 1999; Mayer, Davis & Schoorman 1995) and an individual’s predisposition to trust (Brunetto & Farr-Wharton 2007; McKnight, Cummings & Chervany 1998). However trust is a prerequisite to any successful relationship (Leana & Van Buren 1999; Putnam 1993; Woolcock 1998) since “without trust, networks, social capital and social exchange will not develop” (Brunetto & Farr-Wharton 2007). In fact where trust is high, people are more likely to engage in exchange (Nahapiet, Gratton & Rocha 2005) and the potential for resource sharing, co-operation and information flow is increased (Adler & Kwon 2002; Tsai & Ghoshal 1998). Trust is therefore regarded as an important factor in the effectiveness of organisational networks (Brunetto & Farr-Wharton 2007; Levin & Cross 2004; Prusak & Cohen 2001) and a “key element of organisational social capital” (Leana & Von Buren 1999 p. 544).

As “an antecedent to and a result of successful collective action” trust is both a necessary requirement of cooperation and also a potential beneficial by-product of successful trusted activity (Leana & Van Buren 1999 pp 542) potentially resulting in further collaborative activity between parties (Lin & Erickson 2008; Putnam 1993). As such, Prusak and Cohen conclude that trust is “at once a precondition, an indication, a product and a benefit of social capital, as well as a direct contributor to other benefits” (2001 p. 29).

The existence of trust within a social enterprise therefore has the capacity to significantly impact upon the collaborative activity it undertakes. Indeed scholars have suggested that trust can be an important factor in the success of value-based organisations where these organisations engage in business-like activity such as a social enterprise (Mair & Marti 2006) as well as for entrepreneurial ventures in general (Hoang & Antoncic 2003). The potential for high levels of “identification trust” based upon the shared norms, values and goals of the social enterprise domain, seemingly presents a basis for beneficial and productive support and collaboration between social ventures.

#### **2.4.6: Public policy**

Government policy is an important aspect of SCT. As Woolcock and Narayan state the “vitality of community networks is largely the product of the political, legal and institutional environment” (2000 p. 234) therefore the policies and decisions of government affect the inherent social capital of a community. These scholars see social capital as a dependent variable arguing that social networks are impacted by the “quality of formal institutions within which they reside as well as their “external accountability to civil society” (Woolcock & Narayan 2000 p. 234). Indeed government can facilitate or impede “the emergence and maintenance of social capital in civil society” playing an “important role in fostering community-level social capital” (Adler & Kwon 2002 p. 27). Although this counters aspects of traditional liberal-individualist and authoritarian ideologies that view hierarchy and particularly bureaucracy as being destructive of social capital, government is viewed as potentially playing an important role in building positive social capital in a society (Adler & Kwon 2002; Lee 2009; Woolcock & Narayan 2000; Woolcock 1998).

Government has a profound ability to influence community structures and relationships, not least through establishing basic legal rights and obligations that “foster norms of cooperation and generalised trust” (Patulny & Svendsen 2007 p. 37). Public policy may influence and promote partnerships and alliances across community and sectoral boundaries, thus facilitating complementarity derived from mutually supportive public-private relations promoting exchange and networking activity (Woolcock & Narayan 2000). Given that social enterprise is regularly involved in providing socially beneficial support to the community in areas that are traditionally in the remit of overall government responsibility (Blundel & Lyon 2012; Diochon & Anderson 2009; Galera & Borzaga 2009) the inter relationships between government, community and social enterprise are therefore important.

## **2.5: Individual and organisational social capital**

Social capital is recognised as residing between and benefiting both individuals and organisations (Leana & Van Buren 1999; Son & Lin 2008) being an asset that is jointly owned (Coleman 1988; Leana & Van Buren 1999) with the benefits importantly being appropriable between the two (Adler & Kwon 2002; Burt 1992; Nahapiet & Ghoshal 1998). As Lin states social capital “is both collective and individual goods; that is, institutionalised social relations with embedded resources are expected to be beneficial to the collective and the individuals in the collective” (1999 p. 33) and similarly the social capital of an individual may directly or indirectly benefit an organisation (Burt 2001; Leana & Van Buren 1999).

Organisational social capital is therefore a resource reflecting the nature of the social relations within the enterprise (Leana & Van Buren 1999). The aggregated value of social capital possessed by an organisation is therefore often operationalised at the individual level (Lee 2009) being “realised through members levels of collective goal orientation and shared trust” (Leana & Van Buren 1999 p. 540). Therefore, as with traditional businesses, in the context of social enterprises, the motivation and networks of the entrepreneur may be deemed as potentially beneficial to the sustainability of the venture (Brunetto & Farr-Wharton 2007; Conway & Jones 2012; Davidsson & Honig 2003; Singh et al. 1999).

Organisational social capital is also apparent in the relationships between firms, with young firms often lacking this asset and needing to develop co-operative relationships (Leana & Van Buren 1999). Where organisational social capital develops and trusting relationships emerge, network members are more likely to share information and support which benefits all enterprises in the group (BarNir & Smith 2002; Hoang & Antoncic 2003; Leana & Van Buren 1999). Such relationships being likely when network members share similar norms and beliefs (Das & Teng 1998) as may be posited is the case for social enterprise.

## **2.6: Benefits and risks of social capital**

In a broad sense, social capital enables individuals and organisations to achieve their goals as its inherent relationships and networks usefully convey access to resources and information to the entity (Coleman 1988; Nahapiet & Ghoshal 1998; Woolcock 1998). Similarly, Adler and Kwon (2002) classify three generic advantages of social capital, namely access to information, solidarity and influence. Firstly, in relation to information, social capital, through its networks “facilitates access to broader sources of information and improves information’s quality, relevance and timeliness” (Adler & Kwon 2002 p. 29). An

entrepreneur may, as a direct result of their social networks, access information, or combine disparate pieces of information that enables the recognition of an opportunity at a time that is critical from a commercial perspective. Secondly, these scholars argue that social capital may infer benefits of power, control and influence to individuals and organisations suggesting that relationships enable an entity to, quite simply, “get things done and achieve their goals” (2002 p. 29). Solidarity on the other hand refers to the cohesion or connectedness of a group and its presence enhances the ability of the network to beneficially work together to achieve a common goal. Hence there are acknowledged high level benefits to social capital that may accrue at an individual, community, organisational or even at a national level (Leana & Van Buren 1999).

More specifically from an organisational perspective, research has shown a range of beneficial outcomes. In general, mutually beneficial networks deliver not only information and resources to an enterprise (Adler & Kwon 2002, Aldrich & Martinez 2001) but also valuable legitimacy (Gnyawali & Madhavan 2001). Networks are also seen to be beneficial in terms of identifying and developing opportunities for entrepreneurs (Ardichvili et al. 2003; De Koning 2003; Singh et al. 1999). Access to new ideas and innovation is credited as a significant organisational benefit accruing from networks (Adler & Kwon 2002; Burt 2001; De Koning 2003; Tsai & Ghoshal 1998). More generally social capital has been construed as providing organisations with a critical competitive advantage (Adler & Kwon 2002; Lin & Erickson 2008) often as a result of better information flow (Nahapiet & Ghoshal 1998) particularly in relation to weaker ties that provide “access to non-redundant information” (Levin & Cross 2004 p. 1477), resource acquisition and exchange (Starr & Macmillan 1990; Tsai & Ghoshal 1998) and overall organisational efficiency (Leana & Van Buren 1999; Nahapiet & Ghoshal 1998).

Increased levels of trust in an organisational context can also provide a basis for greater co-operative behaviour and collaborative potential (Brunetto & Farr -Wharton 2007; Leana & Van Buren 1999; Prusak & Cohen 2001; Tsai & Ghoshal 1998). In fact Prusak and Cohen suggest “organisations with high social capital have strong norms of cooperation” (2001 p. 8). Moreover Levin and Cross (2004) found trust to be a significant factor in organisational knowledge transfer positing that “trusted weak ties,” offer significant benefit to an organisation. Burt (1992, 2001) highlighted the benefits that accrue to entrepreneurs, whose networks span the “structural holes” of disconnected groups, enabling them to source and utilise new information. As such, social entrepreneurial activity spanning the “trusted weak



ties” that potentially exist in the social enterprise domain given its shared values and goals seemingly offers significant opportunity for social ventures.

It is important to recognise that there are a number of risks associated with the development, presence and application of social capital (Adler & Kwon 2002; Nahapiet & Ghoshal 1998; Portes 1998). Firstly, to develop and maintain a network of relationships, particularly close ties requiring frequent inter-action requires considerable investment (Nooteboom & Gisling 2004). This is true in early stage entrepreneurial activity where accessing information and resources requires a considerable level of “networking activity to maintain and initiate new contacts” (De Koning 2003 p. 290). As Burt (2001) identifies, it is the density of ties between networks of contacts, across structural holes, that gives an entrepreneur information brokerage benefits. However, such inter-network density requires by its very nature a high commitment from the individual or organisation in maintaining and creating new ties. In some cases the investment required may not be cost-effective for an enterprise (Adler & Kwon 2002). This is particularly pertinent for social ventures given that they are often constrained by a lack of resources (Haugh 2009).

Secondly, social capital may constrain the flow of some important types of information (Burt 1992, 2001). Adler and Kwon suggest that in cohesive, closed networks “the solidarity benefits of social capital may backfire” as the “flow of new ideas into the group” may be restricted (2002 p. 30). Therefore, whilst a closed network may provide access to support and information sharing, much of the information is redundant due to the homogeneity of the group. Thus there is a danger of “group think” and ossification as a lack of new knowledge and ideas permeating the group hinder innovative and entrepreneurial awareness and activity (Burt 1992; Nahapiet & Ghoshal 1998; Portes 1998). Cohesive, closed networks may further lead to “free loading” by group members (Portes 1998) or restrict access to some persons (Nahapiet & Ghoshal 1998; Portes 1998). Strong community based networks can also adversely “create demands for conformity” that can be restrictive of personal freedoms and independent action (Portes 1998 p. 16). There is also a danger in an organisational context that network embeddedness may result in “spill over” of information or knowledge whereby an enterprise may lose aspects of its competitive advantage to opportunistic activities by other trusted members of a network (Nooteboom & Gisling 2004).

In summary, social capital presents a range of opportunities as well as risks for individuals and organisations alike. How an enterprise is impacted by its inherent social capital will

depend upon its goals as well as its strategic orientation (Adler& Kwon 2002; Burt 2001; Lin 1999; Nahapiet & Ghoshal 1998). In the context of social enterprise, whilst social capital may inhere a number of important benefits to such ventures, given the shared values and goals of the field the ensuing cohesive networks may also manifest potentially detrimental characteristics such as “group think” and a lack of innovation and free-loading amongst members.

## **2.7: Conceptual frameworks of social capital**

Building on the characteristics of SCT outlined above this research is further informed by several important conceptual frameworks of SCT identified in the following table:

<ul style="list-style-type: none"> <li>• <b>Nahapiet and Ghoshal’s Three dimensions of social capital (1998)</b></li> <li>• <b>Adler and Kwon’s Conceptual model of social capital (2002)</b></li> <li>• <b>Burt’s concept of structural holes (1992)</b></li> <li>• <b>Woolcock’s community based dimensions of social capital (1998)</b></li> </ul>
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**Figure 2.7: Important conceptual frameworks of**

**social capital**

(Created by author for this paper)

The chapter proceeds to discuss these important frameworks as collectively, they form the theoretical basis for this research.

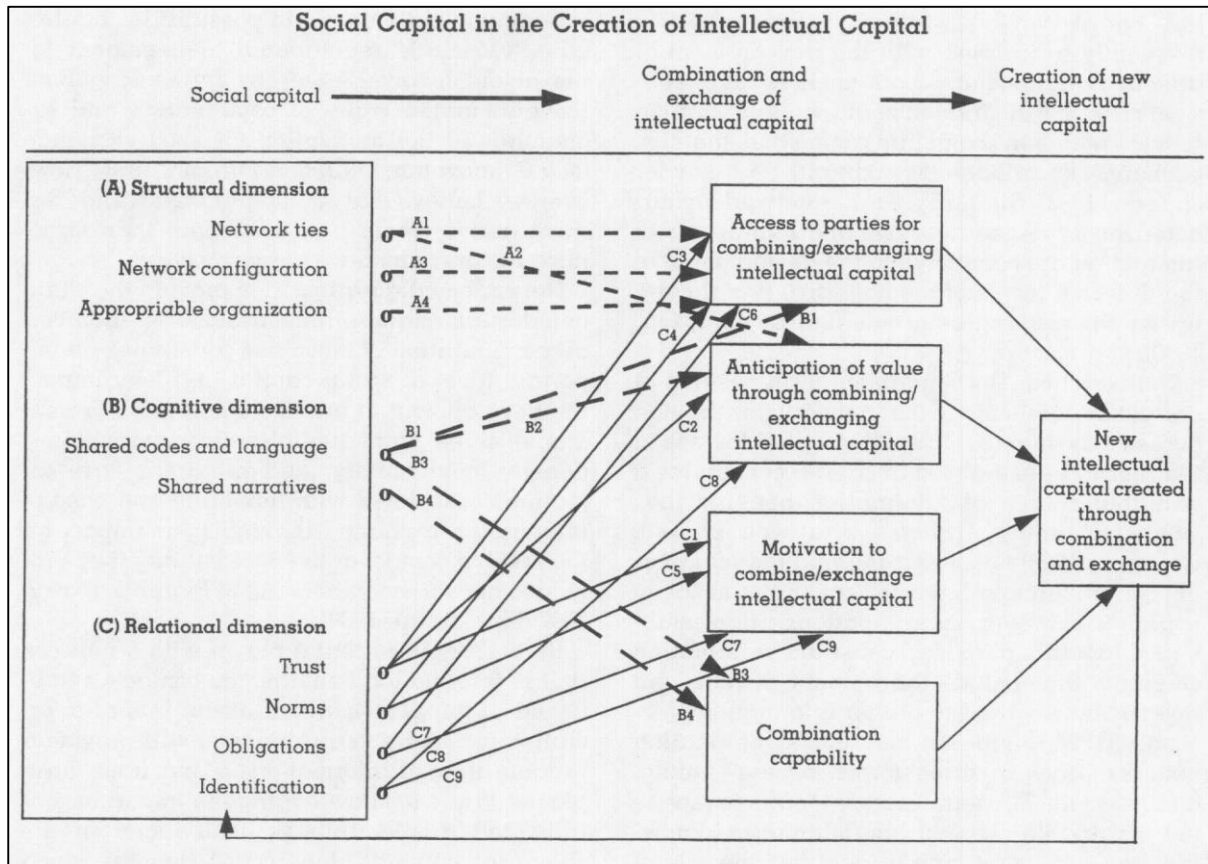
### **2.7.1: Three dimensions of social capital**

Nahapiet and Ghoshal (1998) conceptualised social capital as three composite and interrelated dimensions that can be used to interpret outcomes in organisations, namely:

- The structural dimension

- The relational dimension
- The cognitive dimension

The following diagram illustrates Nahapiet and Ghoshal's (1998) three-dimensional conceptual model of social capital:



**Figure 2.7.1: Conceptual model of social capital**  
(Nahapiet & Ghoshal 1998)

### 2.7.1.1: The Structural dimension

For Nahapiet and Ghoshal, the structural dimension of SCT refers to the diversity of social structures embedded in an organisation. These structures consist of the connections or ties in a network that “provide access to resources” (Nahapiet & Ghoshal 1998 p. 252) delivering the value available from the network (Granovetter 1973; Levin & Cross 2004; Lin 1999). This value depends not only on the number of contacts but the frequency of interaction, emotional intensity and reciprocal commitments exhibited between the ties (Granovetter 1973; Lee 2009) which influences the nature and associated benefits that accrue from the network with stronger, more cohesive networks delivering greater opportunity for support, information sharing and co-operation (Granovetter 1973). Weaker ties alternatively give

access to a wider range of information as a result of the diversity and heterogeneity associated with dispersed contacts, rather than the potentially redundant information available in denser networks (Burt 1992). Through the bridging of the “structural holes” between sparse networks via these weak ties, privileged individuals at the gateway between networks accrue advantages in terms of information “brokerage” between these networks (Burt 1992; Lee 2009). Therefore Nahapiet and Ghoshal argue that the flow of important information within and between networks is a function of the networks “density, connectivity and hierarchy” (1998 p. 252).

#### **2.7.1.2: The Relational dimension**

Although the structure of network ties is important, the quality of the ties themselves is also a factor in the overall effectiveness of the network. Nahapiet and Ghoshal (1998) refer to this as the relational dimension of social capital that represents the inherent quality or content of relationships accumulated over time having the capacity to influence the behaviour of network participants. This relational dimension is influenced by the trust, social norms, obligations and expectations intrinsic in a network (Adler & Kwon 2002; Coleman 1988; Nahapiet & Ghoshal 1998; Tsai & Ghoshal 1998) with past interactions defining the quality of relationships and therefore influencing the propensity toward exchange and collaboration between individuals (Nahapiet & Ghoshal 1998). The important “interaction” between trust and co-operation is highlighted by these scholars as “trust lubricates co-operation, and co-operation breeds trust” leading to norms of co-operation (Nahapiet & Ghoshal 1998 p. 255). Hence the shared norms of a network, including trust, infer motivational obligations and expectations upon the network that result in perceived duties and commitments leading to beneficial support, co-operation and reciprocity for an enterprise (Adler & Kwon 2002; Nahapiet & Ghoshal 1998; Tsai & Ghoshal 1998).

#### **2.7.1.3: The Cognitive dimension**

Social norms are based on shared values and beliefs and the collective understanding of a network. Hence Nahapiet and Ghoshal (1998) argue that the cognitive dimension provides the social context or framework for a network by reflecting the common values as well as collective goals and shared vision derived from the social structures. These authors further suggest that such a shared context generally produces an environment conducive to information exchange and beneficial solidarity within a network as it creates a stronger

motivation for engagement between members (Nahapiet & Ghoshal 1998), a proposition supported by Prusak and Cohen (2001).

In summary, as a result of the inter relation between the structural, relational and cognitive dimensions of social capital Nahapiet and Ghoshal emphasise that any organisation, in reality, will possess a diverse mix of relationships, networks and the opportunities that they represent. Whilst an enterprise may possess dense networks based on strong ties, often endowed with trust, cohesion and obligation based upon shared values and goals, it will also possess links with more open networks through weaker ties that deliver access to non-redundant information, resources and opportunities. In the context of social enterprise therefore, the field's combination of potentially strong cohesive networks based upon shared social values and goals together with the extended networks of the social entrepreneur accordingly infers the potential for both support, reciprocity and collaboration also providing access to resources and opportunities through weaker but trusted connections inherent in the entrepreneurial networks of the social entrepreneur.

The work of Nahapiet and Ghoshal informs this study, however its focus is predominantly intra-organisational. To explore the social capital of social enterprise fully requires a broader perspective as extra-organisational influences and contingent factors such as motivation, capabilities and strategy are all also concurrently at play. Hence this research draws upon several alternative models and perspectives of social capital that extend the conceptual framework used in this study as detailed below.

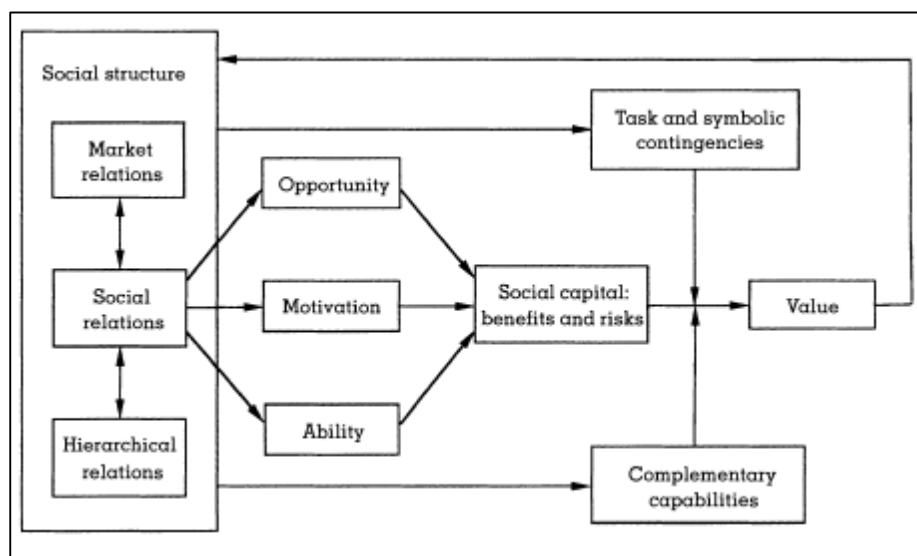
### **2.7.2: Adler and Kwon's "Conceptual model of social capital"**

In developing their model of social capital Adler and Kwon (2002) also emphasise the fundamental role of social relations in SCT. However, importantly, they extend our understanding of this theory by highlighting the importance of contingent factors as well as the influence of external relations on the development of social capital. Thus these scholars provide a broad "conceptual framework that identifies the sources, benefits, risks and contingencies of social capital" (2002 p. 34) by:

1. Situating a theoretical model in a comprehensive environment of relations including economic and authoritarian relations as well as social relationships.

2. Explicitly recognising the limitations of a simplistic over-reliance on network analysis to understand social capital by introducing greater emphasis on contingent abilities and motivations as part of the model and;
3. Moving beyond the stand alone emphasis of “strand” based perspectives of bridging or bonding social capital recognising that, particularly in an organisational context, this is overly simplistic and that “the reality of organisations is shaped by the constant interplay of the individual, group, business unit, corporate and inter-firm levels” which importantly therefore “involve both forms of social capital simultaneously” (2002 p. 35).

Therefore, as the following model illustrates, social networks are the central precursor for developing and mobilising social capital given that the “network of social ties” provides an entity with “the opportunity to leverage ... their contacts resources” (Adler & Kwon 2002 p. 24) however, social relations are also influenced by moderating factors such as ability and motivation as well as external economic and institutional factors (Adler & Kwon 2002).



**Figure 2.7.2: A conceptual model of social capital**  
(Adler & Kwon 2002)

### 2.7.2.1: Contingent factors

Adler and Kwon significantly identify the importance of two contingent factors in the context of social capital. Termed “the competencies and resources at the nodes of a network” ability is viewed as a critical moderating factor in the creation and mobilisation of social capital in a network (Adler & Kwon 2002 p. 26). In other words, the opportunity presented by a network has to be turned into tangible outcomes through individual or collective competency. As

noted earlier, an individual's characteristics and competencies are a factor in the acquisition and maintenance of social capital (Adler & Kwon 2002; Lin 1999; Podolny & Baron 1997). For example, social skills play a role in the process of acquiring social capital amongst individuals (Baron & Markham 2000). The ability to "network" is an important entrepreneurial and small business competency in creating and maintaining relationships (Brunetto & Farr-Wharton 2003; De Koning 2003). The capacity of network ties to access additional resources is also influential in determining the effectiveness of a network (De Koning 2003). Moreover the strategic competency of an entrepreneur is also salient here given that any enterprise has a range of strategic opportunities and risks in relation to the attainment of organisational goals through the utilisation of social capital resources (Adler & Kwon 2002; Burt 2001; King 2004; Lin & Erickson 2008).

The competency and capabilities of networked individuals are therefore an important contingent factor in the capacity for social enterprises to sustain themselves. In the case of small emergent enterprises such as many social enterprises the effectiveness of not only the entrepreneur but of their relationships with professional advisors as well as any appropriate Board members, is therefore important for example. Hence in this study not only the number and strength of relationships but also the type of relationships that the social entrepreneurs rely upon are of particular interest. For as Adler and Kwon observe a lack of expertise may negate any benefit from social capital despite the existence of networks and individual motivations being present (Adler & Kwon 2002).

Motivation is another important pre-condition for social capital (Adler & Kwon 2002; Lin 1999). When examining the social capital of an enterprise, in a traditional entrepreneurial context, an entrepreneur would typically utilise their social networks to accumulate personal wealth. However in the context of social enterprise, where personal wealth accumulation is not a driver of behaviour, motivation is more likely found in the shared values and goals that underpin the field (Dees 1998a; Pearce 2003) therefore being akin to notions of collective social capital (Adler & Kwon 2002; Bull et al. 2010; Portes 1998; Putnam 1993) where the values and beliefs of a network are important motivational forces in the development of social capital. However the mere existence of norms and values alone is not enough, it is the specific content and strength of these shared norms that determines the degree of social capital inherent in a network (Adler & Kwon 2002). Hence the fundamental and deep rooted values, norms and goals of the social enterprise domain would appear promising in this respect with one indicator being arguably the existence of high levels of altruism and

volunteering within the field (Austin et al. 2006) where altruism refers to a pro-social behavioural propensity to help others without the expectation of or the intention to source any personal reward (Kanungo 1993; Penner, Dovidio, Piliavim, Schnedere 2005).

### **2.7.3: Brokerage from weak ties: Burt's structural holes**

Given the potential limitations of strong, closed networks such as a lack of new information and “group think”, Burt (1992, 2001) provides another important theoretical framework to underpin this research, suggesting that an entrepreneur may, as a result of their weak network ties, be able to leverage additional benefits for an enterprise. As illustrated earlier (Figure 2.4.2.3 above) Burt (1992, 2001) shows that an individual positioned so as to be linking networks, thus spanning the metaphorical “structural holes” between them, may benefit more than others in terms of their access to strategic information and influence. These centric positions are generally characterised by the absence of connections between other network members, thus creating a pivotal position enabling the entrepreneur to “broker” or manage and control the information flow within or between networks (Burt 1992, 2001). Such valuable “brokerage” is further posited to be complemented by the presence of additional strong cohesive ties as the value of the “brokered” information and opportunities presented may be better understood by the entrepreneur as a result of their input (Burt 2001). Therefore brokerage may be “more valuable to ... groups within which people are closely interconnected ... in markets within which organisations are closely interconnected” (Burt 2001 p. 237). On this basis a social enterprise may be able to uniquely develop a strategic orientation to achieve growth through the optimal utilisation of its varied networks particularly given the potential to benefit from any inherent “trusted weak ties” (Levin & Cross 2004).

### **2.7.4: Woolcock's community based dimensions of social capital**

Finally Woolcock, drawing on Polanyi and Granovetter, argues that there are two “distinct but complementary forms of social capital” (1998 p. 162) termed “embeddedness” and “autonomy” that influence the development of social capital in a community context. For Woolcock, “embeddedness” refers to the centrality and effectiveness of a network of social ties in all forms of exchange, whether social or economic whilst “autonomy” recognises that a complementary set of independent or extra-community ties are necessary to extend and overcome potential deficiencies and costs associated with overly “embedded” intra-community relations. Moreover Woolcock suggests that relational dimensions are also



influential at the micro or macro level where network embeddedness at the micro level relates to immediate community connections and at macro level state-community relations whilst autonomy at a micro level relates to access to external or non-community ties and to institutional capability and legitimacy at a macro level. Thus Woolcock identifies four interactive dimensions of social capital with the “integration and linkage” achieved from the micro relations together with the “integrity and synergy” at the macro level resulting in a range of different contextual outcomes. As such Woolcock (1998) suggests that the source and effect of social capital in a communal context requires both an appreciation and integration of interrelated forms of social capital that includes intra and extra community ties as well as an awareness of its socio-structural dimensions that include community and institutional relations at a micro and macro level.

Although not specifically developed for the social enterprise setting, this conceptual framework has distinct parallels for the field. As previously identified, the inherent embeddedness of social enterprise in community and state relations means that they have a considerable influence on the social capital of these ventures as public policy has the potential to foster or impede the development of social capital (Lee 2009; Patulny & Svendsen 2007; Woolcock 1998; Woolcock & Narayan 2000). Government can, for example, play a significant role in stimulating network activity (Patulny & Svendsen 2007). This is of particular importance as governmental support of networking activity amongst small businesses may result in increased access to important business knowledge and opportunity (Brunetto & Farr-Wharton 2003). As social ventures are typically small enterprises (Barraket et al. 2010; Villeneuve 2011), as opposed to highly resourced and connected large organisations, they may find themselves locked out from access to important networks and contracts within a community. Such policy involvement is mooted as being potentially beneficial for the social enterprise domain whereby specialist intermediaries, assisted by public policy, can act as a conduit and help facilitate networking and collaborative activity amongst social enterprises as well as strategic corporate and governmental connections (Mendell & Nogales 2009; Meyskens et al. 2010a; Porter & Kramer 2006). This is of particular significance in relation to social enterprise accessing government procurement opportunities (Barraket & Weissman 2009; Villeneuve 2011).

It is therefore posited that by applying appropriate strategies social capital presents significant opportunity for social enterprises through the potential for macro level mutually beneficial complementarity and legitimacy on the one hand and beneficial integration and linkage from

both the intra and extra-community ties of social entrepreneurs on the other. Social enterprise, embedded within an environment of public and community relations, is impacted by the value that the broader community and its public policy places upon the field's norms, values, goals and outputs and therefore both builds and draws upon the constituent social capital in any given community. By creating and developing relationships, building trust and norms of reciprocity and providing avenues for altruistic behaviour in the community social enterprise develops the social assets of a community. Conversely, social enterprise may leverage the social capital of the community to access vital legitimacy and resources that enable their emergence and sustainability.

## **2.8: Summary**

This chapter has examined SCT in detail and developed a theoretical basis from which to analyse the research issues identified by this thesis, namely an exploration of the factors that facilitate the sustainability of social enterprises. As such SCT suggests that the relationships and networks inherent in the domain of social enterprise may represent a key resource and capability of social enterprise. In fact SCT suggests that both the networks of the social entrepreneur or social enterprise leader and the relationship between the social enterprise and its community stakeholders are potentially significant. The accrued and accumulated social capital derived from these relationships then provides valuable access to resources, information, collaboration and increased legitimacy with these benefits leading to the growth and sustainability of these ventures.

It is posited that social enterprise is uniquely positioned to both build and leverage the constituent social capital of the community that it supports through a symbiotic relationship or virtuous circle of social capital that simultaneously delivers organisational sustainability to social ventures as they deliver value to the community. The challenge for policy makers and practitioners alike in terms of social enterprise sustainability is to identify the conditions under which the positive aspects of the strong intra community relations of social enterprise can be leveraged and extended by simultaneously developing weaker extra community networks through policy and practice.

## **CHAPTER 3: LITERATURE REVIEW**

### **3.1: Introduction**

The preceding chapters established the central research issues and theoretical basis of this thesis. This chapter provides a detailed review of the literature in relation to the phenomenon of social enterprise and the key concepts that underpin this project. In so doing, a platform is established of both current understanding and the gaps in the literature, thus providing a framework for subsequent analysis based upon the findings of the research.

Firstly, the literature relating to the emergence, conceptualisation and characteristics of the field of social enterprise is presented framing the research and providing fundamental context for the study's analysis and discussion in later chapters. Next, research relating to the sustainability of social ventures is considered focusing upon the areas of resourcing, capabilities, legitimacy and networks that prior research suggests are critical (Sharir & Lerner 2006; Sharir et al. 2009).

The review then incorporates research pertaining to the profitability and growth of these enterprises and the role of structure and governance in social enterprise development. Finally, the chapter considers the literature relating to key elements of social capital that connect to the research issues, focusing upon networks and trust before important social enterprise relationships such as with the community, government and intermediaries are examined as being part of the multi-stakeholder context of social enterprise.

### **3.2: Framing social enterprise**

#### **3.2.1: The emergence of social enterprise**

Despite a recent surge of interest, social enterprise is not a new phenomenon (Alter 2006; Barraket et al. 2010; Peattie & Morley 2008b; Teasdale 2012b). In fact the genesis of social enterprise is often linked to the co-operative movements and philanthropic industrialists of Victorian England (Doherty et al. 2009; Hines 2005; Pearce 2003; Shanmugalingam et al. 2011; Shaw & Carter 2007). The term social enterprise began emerging amongst academics in the mid-1980s (Defourny & Nyssens 2010) and from the late 1990s the concept has taken on a growing level of consciousness globally (Kerlin 2006, 2010; Mair & Marti 2006; Seelos et al. 2011; Thompson & Doherty 2006). Comprising a diverse organisational spectrum that

spans, by way of illustration, “social businesses” such as The Grameen Bank in the developing world (Yunus 1999), the democratic collectives of Europe (Galera & Borzaga 2009) and the social enterprises of the “New” Labour movement of the UK (Mawson 2010; Teasdale 2012b), the field has achieved a growing level of policy, practitioner and academic recognition (Nicholls & Young 2009; Shanmugalingam et al. 2011).

The reasons for the recent expansion of social enterprise are varied (Teasdale 2012). Some theories relate to state and market failure to meet the needs of the community (Dean & McMullen 2007; Diochon & Anderson 2009; Spear 2001) such as the failure of free-market neo-liberalism to deliver welfare to all (Roper & Cheney 2005). Others see social enterprise as a consequence of the Not-for-Profit (NFP) sector seeking innovative ways to access resources (Dees 1998a; Diochon & Anderson 2009; Kerlin 2006) and the actions of “heroic” social entrepreneurs (Bornstein 2004; Leadbetter 1997; Mair & Marti 2006; Thompson & Doherty 2006). Some contend that social enterprise has become a political concept (Di Domenico et al. 2010a; Teasdale 2012b; Teasdale, Lyon & Baldock 2013) or a social legitimisation of traditional business practices (Dart 2004).

Irrespective of the reason, the evolution of the domain is highly location specific due to inherent political, historical and cultural stimuli (Defourny & Nyssens 2010; Kerlin 2010; Ridley-Duff & Bull 2011; Teasdale 2012b). In much of Europe, the “collectivist” community and democratic principles of the co-operative movement have been highly influential (Galera & Borzaga 2009), leading to the development of the legal entities such as the Italian “social co-operatives” (Defourny & Nyssens 2010). Alternatively, in the United States, the origins of the field are found in non-profit foundations seeking market-based approaches to secure funding to tackle social problems together with the emergence of “heroic” social entrepreneurs (Alter 2006; Dees 1998a; Kerlin 2006).

In the UK, co-operative traditions, combined with the growth of voluntary and community organisations, established the foundations for the recent growth of social enterprise (Doherty et al. 2009; Pearce 2003; Peattie & Morley 2008; Ridley-Duff & Bull 2011; Teasdale 2012b). Recently, the failure of UK public policy and resources to meet community needs is seen as influential in developing the field (Bull & Crompton 2006; Dean & McMullen 2007; Peattie & Morley 2008; Spear 2001) culminating in the pro-social enterprise policies of the “New Labour” Government (Chell 2007; Mawson 2010; Pearce 2003; Teasdale 2012b). This policy framework provided significant impetus to the growth of social enterprise (Blundel & Lyon

2012; Doherty et al. 2009) and was influential in the UK becoming a global leader in the field (Shanmugalingam et al. 2011).

### **3.2.2: The conceptualisation of social enterprise**

Given this diversity of origin a unified definition of social enterprise has remained elusive (Nicholls & Young 2009; Peattie & Morley 2008a; Teasdale 2012b). Indeed much of the formative research into social enterprise has focused on the question of definition (Dart 2004; Haugh 2006; Peattie & Morley 2008a). However there has been a lack of consensus (Galera & Borzaga 2009; Kerlin 2010; Teasdale 2012b) as conceptualising an evolving spectrum of hybrid enterprises (Alter 2006) that sit in a blurred area between traditional business and the NFP sector (Dart 2004) has inherent challenges. Bull (2008 p. 271) poignantly observes “to amalgamate” the words social and enterprise “is problematic” in itself with built-in questions of emphasis and priorities. A point illustrated by Pearce (2003) who, whilst identifying social enterprise as the utilisation of business means to deliver social outcomes, further argues that “the primary purpose of a social enterprise is social ... commercial activity is secondary”. Alternatively, scholars have emphasised the entrepreneurial and “business-like” practices of social enterprise (Chell 2007; Dart 2004; Diochon & Anderson 2009; Mair & Marti 2006).

The issue of definition is further complicated by the range of sectoral players connected to the field and their inherent environmental, cultural and political differences (Defourny & Nyssens 2010; Ridley-Duff & Bull 2011). For example, the contrasting perspectives between the earned income strategies of enterprising non-profits or the social innovation of “heroic” entrepreneurs emanating from the USA and the co-operative models from Europe focused upon socio-economic community benefit and democratic process (Galera & Borzaga 2009; Teasdale 2012b; Westall 2009). Diverse groups such as charitable foundations, governments, co-operatives, social entrepreneurs, social investors and community leaders possess varying perspectives and aims and often hold markedly differing views on what social enterprise represents (Doherty et al. 2009; Teasdale 2012b). Teasdale succinctly captures the essence of the issue stating “the label social enterprise has been applied to a range of phenomena” because “social enterprise means different things to different people across time and context” (2012 pp. 101-113).

Despite these definitional challenges it is important to differentiate social ventures from other forms of enterprise (Diochon & Anderson 2009; Pearce 2003; Westall 2009) as a lack of definition restrains the sector (Haugh 2006), particularly in its ability to measure itself

(Barraket & Weissman 2009; Shaw & Carter 2007). This can create barriers in crucial areas such as policy development and access to investment and business support (Hines 2005; Jones & Keogh 2006; Westall 2009). It is important to not allow the differences between the form and context of social enterprise to confuse the central goal consistent across all of these ventures, as it is “purpose” that fundamentally defines the construct (Peattie & Morley 2008a; Shaw & Carter 2007; Townsend & Hart 2008).

Peattie and Morley (2008a) conclude that there are two elemental characteristics that are common to all definitions of social enterprise:

1. They trade goods or services in the marketplace however,
2. Their primary aim is social/community benefit rather than profit maximisation for shareholders.

This overarching dual purpose view is broadly accepted across the social enterprise sector (Doherty et al. 2014; Haugh 2012; Nicholls & Young 2009; Seelos et al. 2011; Teasdale 2012b) and resonates in a number of influential formative definitions such as the UK Governments influential classification that states that a social enterprise is:

A business with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximise profit for shareholders and owners (DTI 2002).

A recent Australian study (Barraket et al. 2010) supports this emerging consensus and provides a comprehensive framework of definition by concluding that social enterprises are organisations that:

- Are led by an economic, social, cultural, or environmental mission consistent with a public or community benefit;
- Trade to fulfil their mission;
- Derive a substantial portion of their income from trade; and
- Reinvest the majority of their profits/surplus in the fulfilment of their mission.

### **3.2.3: Characteristics of social enterprise**

Despite being recognised as an emerging global phenomenon (Di Domenico 2010a; Haugh 2012; Kerlin 2010; Teasdale 2012b) accurate mapping of the social enterprise domain remains inherently problematic (Doherty et al. 2009). As a consequence of both the aforementioned definitional challenges and considerable methodological issues agreement on the extent and growth of the sector remains uncertain (Lyon, Teasdale & Baldock 2010; Teasdale et al. 2013). A number of formative attempts to measure the scale, growth and location of social enterprise have taken place (Barraket et al. 2010). In the UK a number of surveys have attempted to measure that countries social enterprise population delivering widely varying results (Buckingham, Pinch & Sunley 2009; Teasdale et al. 2013), ranging from 15,000 (IFF 2005) to as many as 109,000 social enterprises (Harding 2010). The first Australian survey of its kind (Barraket et al. 2010) identified an established sector with 20,000 enterprises nationwide.

However, irrespective of the ambiguity around definition and scale, social enterprises are recognised as possessing a number of distinct characteristics (Barraket et al. 2010; Harding 2004, 2006; Peattie & Morley 2008b). Firstly, social ventures are dual-purpose enterprises being concurrently focused on achieving social and economic goals (Alter 2006; Dacin et al. 2010; Dees 1998a; Doherty et al. 2014; Hervieux, Gedajlovic & Turcotte 2010; Shaw & Carter 2007; Shergold 2010; Smallbone et al. 2001; Townsend & Hart 2008; Wilson & Post 2013). The primary focus of the enterprise is social impact (Mair & Marti 2006; Pearce 2003; Peattie and Morley 2008a; Seelos et al. 2011; Wilson & Post 2013) with social ventures seen as often addressing traditional societal problems such as health, education and employment (Bull et al. 2010; Hines 2005; Mulgan 2010; Teasdale 2012a; Vickers 2010) as well as environmental issues (Mair & Marti 2006; Neck et al. 2009; Peattie & Morley 2008b; Vickers 2010). Thus social enterprise is widely recognised as delivering positive socio-economic impact to the community (Harding 2004; Leahy & Villeneuve 2009; Lyon & Ramsden 2006; Pearce 2003; Thompson & Doherty 2006; Shaw & Carter 2007) particularly when viewed from an aggregated perspective (Diochon & Anderson 2009; Mulgan 2010; Seanor & Meaton 2007).

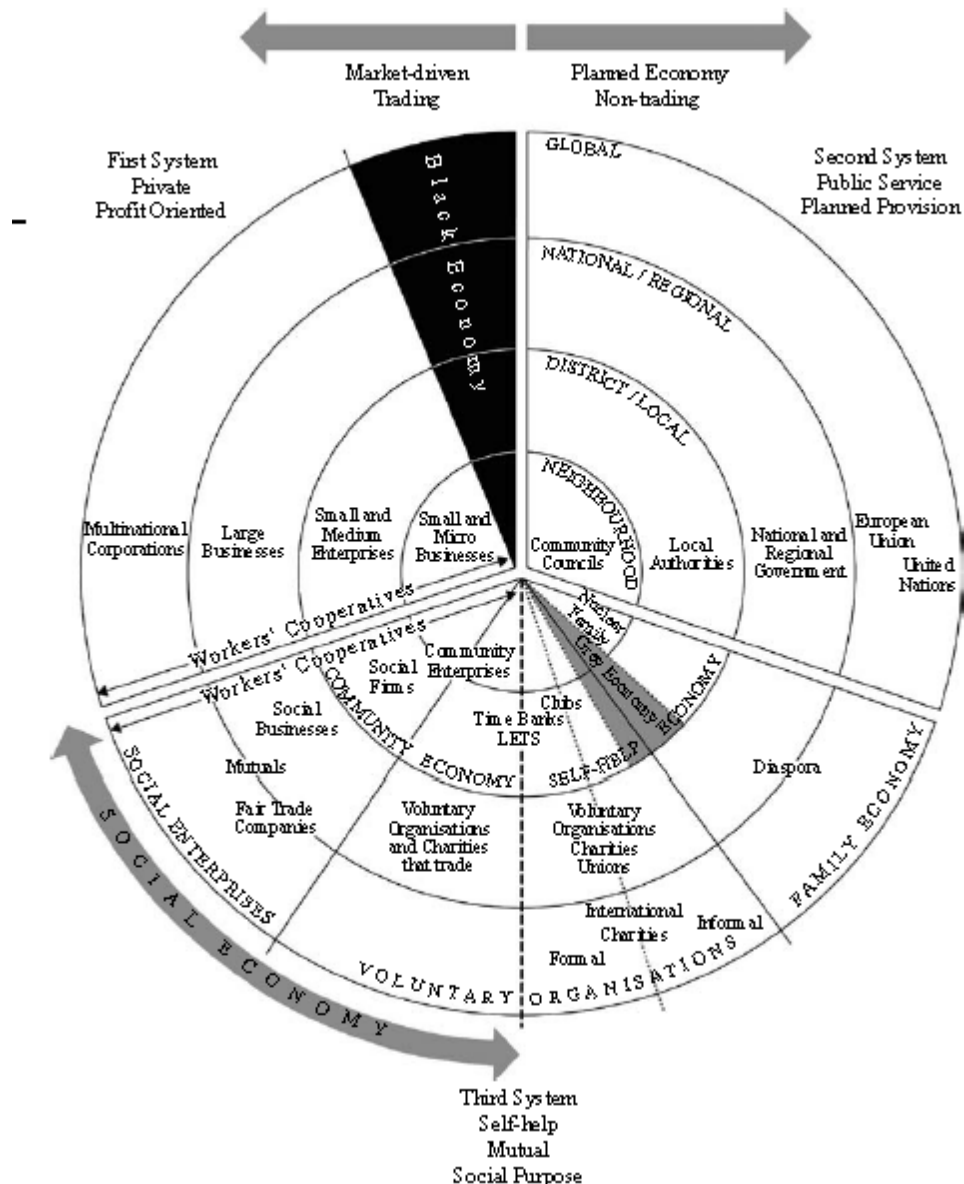
Secondly, social enterprise is recognised as a diverse and heterogeneous field (Galera & Borzaga 2009; Shaw & Carter 2007) spanning all sectors of the economy (Barraket et al. 2010). These ventures are furthermore predominantly small businesses (Barraket et al. 2010; Harding 2006; Shaw & Carter 2007; Villeneuve 2011) aiming to source the majority of their

revenue from earned-income (Austin et al. 2006; Chell 2007; Dart 2004; Peattie & Morley 2008b; Villeneuve 2011). Social enterprises are also typically locally based and community focused (Di Domenico et al. 2010a; Haugh 2006, 2009; Meyskens et al. 2010a; Pearce 2003; Seelos et al. 2011) delivering impact to disadvantaged groups (Doherty et al 2009; Galera & Borzaga 2009) in both urban and regional environments (Diochon & Anderson 2009; Haugh 2006, 2009; Robinson 2006; Steinerowski & Steinerowska- Streb 2012; Steinerowski et al 2008). In fact “local communities constitute the principal realm in which social enterprises organisations act ... and develop their business models” (Seelos et al. 2011 p. 335) and are increasingly seen to be “an important attribute of regional economies” (Barraket et al. 2012 p. 1).

Social enterprises are multi-stakeholder ventures (Clifford & Dixon 2006; Friedman & Sharir 2009; Haugh 2007; Meyskens et al. 2010a; Townsend & Hart 2008) presenting both issues and opportunities in terms of resourcing and meeting the needs of a range of divergent community stakeholders (Friedman & Sharir 2009; Meyskens et al. 2010a; Morris, Webb & Franklin 2011; Ridley-Duff 2008). Indeed the resourcing of social enterprise is seen to be a critical issue in terms of their development (Haugh 2009; Sharir et al. 2009; Teasdale 2012a). As such, the legitimacy of these ventures is deemed important (Dacin et al. 2010; Mendell & Nogales 2009; Townsend & Hart 2008) with stakeholder relationships thus viewed as a critical factor in the development of sustainable social enterprises (Coburn & Rijsdijk 2010; Di Domenico et al. 2010a; Meyskens et al. 2010a).

Social enterprise is often depicted as part of the wider social economy or third sector (Doherty et al. 2009; Pearce 2003; Sepulveda 2009). Traditionally seen as comprising voluntary/not-for-profit institutions, associations, foundations and mutuals (Amin et al. 2002; Barraket & Crozier 2008; Dart 2004), the social economy has progressively been viewed as including social enterprises (Barraket & Crozier 2008; Jones & Keogh 2006; Pearce 2003; Teasdale 2012b). However it is the market-driven emphasis of social enterprise being “what differentiates social enterprise from other organisations in the social economy” (Doherty et al. 2009 p. 26). The following diagram illustrates the various sectors of the economy positioning social enterprise organisations within the “market-driven” trading section of the third sector at the nexus with the private economy (Pearce 2003).



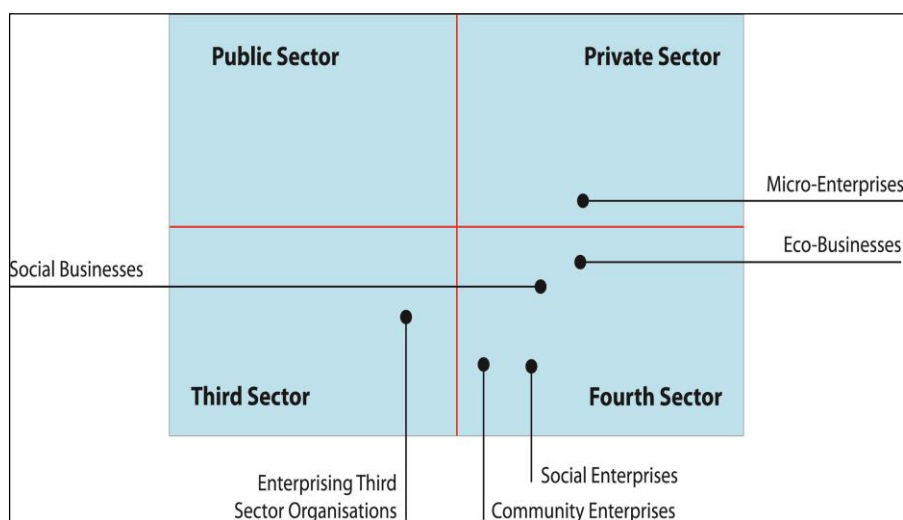


**Figure 3.2.3a: Locating social enterprise within the three sectors of the economy** (Pearce 2003)

There has been a growing emphasis within the field towards commercially based “social business” models that typically structure themselves as “for-profit” organisations and are variously termed as “for-profits”, “for- purpose”, “blended-value”, “more-than-profit” and “for-benefit” social enterprise models (Clifford & Dixon 2006; Dees & Battle-Anderson 2003; Harding 2010; Hockerts 2006; Jones & Keogh 2006; Neck et al. 2009; Sabeti 2011). These ventures exhibit plural business models (Florin & Schmidt 2011; Westall 2009) representing new hybrid versions which blend financial and social returns (Shergold 2010) and enable social entrepreneurs to exploit opportunities to enhance community wellbeing

(Doherty et al. 2014; Florin & Schmidt 2011; Zahra et al. 2009). As such they are distinct from traditional for-profit, not-for-profit and public organisations (Doherty et al. 2014; Sabeti 2011).

Increasing numbers of social entrepreneurs are establishing such hybrid ventures that pursue social objectives through commercial activities (Battilana et al. 2012), creating ambiguity in terms of the status of these enterprises in the third sector (Sepulveda 2009). Hence social enterprise has been conceptualised as sitting independently “in a blurred area between the public, private and third sectors” (Vickers 2010 p. 4). On this basis social enterprises have been viewed as part of a new fourth sector that represents autonomous, enterprising, socially orientated ventures that are unable to be housed in the Public, Private or NFP sectors (Burkett 2010; Burkett & Drew 2008; Sabeti 2011; Vickers 2010) as the following diagram illustrates;



**Figure 3.2.3b: The emerging Fourth Sector**  
(Burkett 2010)

In terms of definition, it is arguable that over time “social enterprise will be determined not by theorists but by social practices and institutions ...” and those “who self-consciously pursue sustainable ways of creating social, environmental and economic value” (Ridley-Duff & Bull 2011 p. 79). Therefore a better understanding of these “plural business models” is a key issue for policy makers and in need of further research (Westall 2009) as innovative, “high impact” social businesses have the capacity to create significant socio-economic benefit (Sahlman 2009).

### **3.2.4: Social entrepreneurship**

An important characteristic of social enterprise is the notion of social entrepreneurship. In much research the terms social enterprise and social entrepreneurship are in fact largely synonymous and interchangeable (Galera & Borzaga 2009; Peredo & McLean 2006). As Diochon and Anderson observe, the process of “social enterprising” inherently involves the entrepreneurial process of “identifying an opportunity to improve social wellbeing, then acquiring and employing the resources required to do so” (2009 p.11). However there is a degree of contestability about precisely what social entrepreneurship represents (Dacin et al. 2010; Galera & Borzaga 2009; Haugh 2012). This is particularly so when viewed internationally, comparing for example the “heroic” social entrepreneurs purported by the US literature with the more democratic models found in the European research (Kerlin 2006; Peattie & Morley 2008b).

Nevertheless, social entrepreneurship is widely recognised as a transformative process of creating social value through innovative entrepreneurial activity (Corner & Ho 2010; Dees 1998a; Mair, Battilana & Cardenas 2012; Mair & Marti 2006; Nicholls 2006b; Peredo & McLean 2006; Vega & Kidwell 2007; Zahara et al. 2009). As Galera and Borzaga summarise “the goal pursued by the enterprise is social and the activity carried out has to be managed in an entrepreneurial way” (2009 p. 213) with its focus on economic activity “differentiating social entrepreneurship from pure forms of social movements” and the “transformative social ambition” distinguishing it from other forms of entrepreneurship (Mair et al. 2012). Although much of the literature espouses the notion of the “heroic” entrepreneur (Bornstein 2004; Leadbetter 1997; Thompson & Doherty 2006) social entrepreneurship is often “a collective rather than an individual activity” (Shaw & Carter 2007 p. 430) being commonly a product of groups and networks in formal or informal organisations (Alvord, Brown & Letts 2004; Diochon & Anderson 2009; Peredo & McLean 2006; Spear 2006).

Scholars have sought to conceptualise the social entrepreneurial process by viewing it through the lens of traditional entrepreneurial theories such as opportunity identification, innovation, resourcefulness and value creation (Korsgaard 2011; Mair & Marti 2006; Osberg & Martin 2007, Shaw & Carter 2007; Weerawardena & Mort 2006). Despite clear similarities with traditional notions of entrepreneurship being identified the research maintains that social entrepreneurship is unique in several critical ways (Austin et al. 2006; Dees 1998a; Mair &

Marti 2006; Osberg & Martin 2007; Peredo & McLean 2006; Shaw & Carter 2007) summarised as follows:

1. An inherent focus on social value creation.
2. Its specific social or community context that creates a range of different constraints and opportunities in areas such as resourcing strategies, impact measurement and networking.
3. Its unique organisational forms.

Opportunity recognition is therefore an important differentiator of social entrepreneurship. Instead of being attracted by growing and profitable market-based opportunities, as is the case with traditional entrepreneurs, conversely social entrepreneurs identify opportunities in market or public policy failure, seeking to achieve social change and community benefit (Austin et al. 2006; Doherty et al. 2014; Neck et al. 2009; Seelos et al. 2011). Hence opportunity recognition has been a strong feature of the social enterprise literature, particularly with regard to the emergence of these innovative ventures (Austin et al. 2006; Dorado 2006; Mair & Marti 2006; Peredo & McLean 2006; Seelos et al. 2011). Moreover the importance of the networks of the social entrepreneur in the development of social enterprises in terms of resourcing and legitimacy as well as opportunity identification, is also a feature of the social entrepreneurship literature (Dacin et al. 2010; Haugh 2006, 2009; Meyskens et al. 2010a, 2010b; Seelos et al. 2011; Sharir et al. 2009; Shaw & Carter 2007). Research has begun to explore other activities and processes of social entrepreneurs, including “effectuation” and “bricolage” strategies for example (Corner & Ho 2010; Desa 2007; Di Domenico et al. 2010; Diochon & Anderson 2009; Korsgaard 2011; Zahra et al. 2009).

In summary, social entrepreneurship arguably represents two key dimensions, both of which are critical to a social enterprise. On the one hand, it incorporates the fundamental process of identifying an opportunity and developing innovative solutions to deliver social benefit (Perrini & Vurro 2006; Shaw & Carter 2007; Zahara et al. 2009). It also involves innovative entrepreneurial capabilities in areas such as resourcing and networking (Diochon & Anderson 2009; Shaw & Carter 2007) that are essential to the commercial sustainability of the venture, thus allowing the ongoing delivery of its social mission (Chell 2007; Dees 1998a; Mair & Marti 2006; Mair et al. 2012).

### **3.3: The sustainability of social enterprise**

To deliver ongoing social impact social enterprises must themselves be commercially sustainable ventures (Austin et al. 2006; Chell 2007; Dees 1998a; Mair & Marti 2006). This sustainability imperative is a central tenet of the conceptual model for social enterprise “survivability” developed by Sharir et al. (2009) which posits that “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” (2009 p. 90). Thus organisational resourcing, networks, legitimacy and capabilities are framed as key drivers of social enterprise sustainability and are considered below in the context of the extant literature.

#### **3.3.1: 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 & Martin 2000; Wernerfeldt 1984). These resources may be tangible assets such as physical, financial, organisational and human capital or intangible resources such as culture and reputation for example (Barney 1991). The acquisition of resources is critical to any firm’s long term success (Katz & Gartner 1988). As such, securing the necessary resources to operate and compete in the marketplace is a fundamental objective for social enterprises (Diochon & Anderson 2009; Haugh 2006; Sharir et al. 2009; Teasdale 2012a) and a core issue in the development of these ventures (Barraket & Anderson 2010; Coburn & Rijsdijk 2010; Hynes 2009). Social enterprises, like any business, therefore need to access the range and combination of these resources to survive (Haugh 2009; Meyskens et al. 2010a).

Acquiring these resources can be challenging for social enterprises (Haugh 2006) with extensive research suggesting that access to funding is the dominant issue for social enterprise (Barraket & Anderson 2010; Burkett 2013; Hines 2005; Lyons et al. 2007; Mendell & Nogales 2009; Smallbone et al. 2001; Villeneuve 2011). Hence social ventures are often by necessity multi-resource organisations (Barraket et al. 2010; Doherty et al. 2009; Gardin 2006; Ridley-Duff & Bull 2011; Teasdale 2012a) securing the necessary inputs from a mixture of resource streams (Pearce 2003) including earned income, philanthropic and government grants, volunteers and donations or from the founding social entrepreneurs

themselves (Amin et al. 2002; Barraket & Anderson 2010; Harding 2004; Hynes 2009). Nevertheless, earned income through trading activities is a core feature of social enterprises (Barraket et al. 2010). In fact social ventures typically seek to expand their trading income as they evolve (Barraket & Anderson 2010; Sunley & Pinch 2012) rather than becoming reliant upon grants or development loans (Bull & Crompton 2006; Sunley & Pinch 2012). Research into Non-Profit organisations identifies an evolved commercial focus amongst such enterprises that accentuates “earned income strategies ... for sustaining their organisation” (Weerwardena et al. 2010 p. 355).

The acquisition of physical assets can be an important factor in the resourcing of social ventures, particularly in enabling trading activities (Burkett 2010; Haugh 2009; Hines 2005). However research suggests that this is challenging for many (Hines 2005) especially during the formative stages (Burkett 2010). The literature also indicates that social entrepreneurs often use their own funds, particularly at start-up (Burkett 2010; Harding 2004; Hynes 2009) although, conversely, Shaw and Carter (2007) found in a UK study that the social entrepreneurs rarely risked their personal finance in support of their ventures.

The ability to source the appropriate human resources is also important to social enterprises with social enterprises often reliant upon volunteer labour (Austin et al. 2006; Meyskens et al. 2010a; Peattie & Morley 2008b; Sharir et al. 2009). Although access to volunteers is viewed by some as a strength of the field (Barraket et al. 2010; Sharir et al. 2009; Smallbone et al. 2001) this does not represent a secure long term strategy for the sector (Hynes 2009). Attracting and retaining appropriate employees is therefore recognised as an issue for social enterprise as they often face difficulties in competing in the open market for skills due to salary and career potential differentials (Austin et al. 2006; Dacin et al. 2010; Haugh 2009; Hynes 2009; Peattie & Morley 2008b; Villeneuve 2011). In a recent Australian study Barraket and Anderson found “staffing” to be a “commonly cited challenge” amongst social ventures, particularly when the organisations were looking to grow (2010 p. 22).

Thus the literature identifies resourcing as a key challenge for the development of sustainable social enterprises. Although these ventures are often multi-resourced, with access to resources such as grants and volunteers, they strive to grow their earned income streams through trading activity as this allows them to move away from grant dependence and achieve an independent and sustainable business model.

### **3.3.2: Organisational capabilities**

Whilst resourcing is a key issue, the attainment of resources by themselves without the organisational capabilities to exploit them is not sufficient to ensure social enterprise sustainability (Haugh 2009). Organisational capabilities refer to the embedded, non-transferable assets that enhance the efficiency and effectiveness of other organisational resources (Eisenhardt & Martin 2000). Despite organisational capabilities being recognised as playing an important role in social enterprise success (Doherty et al. 2014; Haugh 2009; Sharir et al. 2009) there is limited research that examines specific capabilities within the social enterprise context.

Marketing in social enterprises has attracted some attention (Bull & Crompton 2006; Coburn & Rijsdijk 2010; Hynes 2009; Smallbone et al. 2001). Significantly, this research has tended to view marketing as a weakness within the sector (Bull & Crompton 2006; Hynes 2009; Lyon & Ramsden 2006; Peattie & Morley 2008b; Sunley & Pinch 2012). Similarly, organisational planning by social ventures has received interest amongst scholars (Barraket & Anderson 2010; Sharir et al. 2009). Although some research has found limited evidence of planning activity occurring amongst social ventures (Bull & Crompton 2006; Hynes 2009; Smallbone et al. 2001; Sunley & Pinch 2012) in contrast a recent 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 & Lerner 2006) with Harding (2006) identifying poor management and inadequate planning to be detrimental to social enterprise development. In fact planning can be used by social enterprises as a means to gain legitimacy in order to access resources from funding bodies (Barraket & Anderson 2010) with research indicating that planning becomes more important as social enterprises focus upon growth (Bull 2008).

On the other hand leadership and managerial capabilities within social enterprises have received limited research attention. This is surprising given its importance in determining the success of social enterprises (Coburn & Rijsdijk 2010) particularly in the context of growth (Lyon & Fernandez 2012). Leadership is implicit in research focused upon the traits of social entrepreneurs and the emergence of nascent social enterprises (Mair et al. 2012; Ridley-Duff & Bull 2011) however there is limited attention in terms of this capability in terms of the subsequent ongoing operation and growth of social ventures.

Thus, Peattie and Morley observe that there is “relatively little known about the management competencies needed to successfully manage ...” social enterprises (Peattie & Morley 2008b p. 30) and the development of management expertise is recognised as an important challenge for social enterprises (Borzaga & Defourny 2001; Westall & Chalkley 2007). Indeed scholars have consistently emphasised the importance of training and the acquisition of management skills for social enterprise development (Burkett 2010; Hines 2005; Lyon & Ramsden 2006; Lyon et al. 2005; Lyon & Fernandez 2012). Given that Coburn and Rijsdijk identify that quality operational systems are a trait of successful social enterprises (2010) and that social enterprises need to deliver quality products and services in order to succeed (Borzaga & Defourny 2001; Westall & Chalkley 2007) there is an apparent need for deeper examination of the leadership and managerial capabilities required by these entities.

As a result of a perceived lack of organisational business capabilities social enterprises are therefore widely recognised as benefiting from external support and training, which importantly, must be “tailored” specifically to the social enterprise context (Hines 2005; Hynes 2009; Lyon & Ramsden 2006; Seanor & Meaton 2007; Smallbone et al. 2001; Social Traders 2013). As such, social enterprise intermediaries, specialist organisations that assist the development and growth of social ventures (Burkett 2010; Shanmugalingam et al. 2011), are recognised as having the potential to play a significant role in supporting and building the field (Burkett 2013; Chertok et al. 2008; Mendell & Nogales 2009; Shanmugalingam et al. 2011; Sunley & Pinch 2012).

In summary, although the literature acknowledges the importance to social enterprise sustainability of organisational capabilities, there has been limited research to date that goes beyond the general and examines these capabilities in specific detail.

### **3.3.3: Networks**

The relationships and networks associated with social entrepreneurs are also widely viewed as an important factor in social venture success (Di Domenico 2010b; Haugh 2006, 2009; Meyskens et al. 2010b; Seelos et al. 2011; Shaw & Carter 2007). The creation of mutually beneficial multi-stakeholder networks is identified as an important factor in the development of social enterprises (Alvord et al. 2004; Barraket & Anderson 2010; Clifford & Dixon 2006; Meyskens et al. 2010a). With these important networks offering potentially symbiotic relationships between social enterprises and their community (Meyskens et al. 2010a; Seelos



et al. 2011) and thus collaborative networks viewed as a key factor in the sustainability of these ventures (Meyskens et al. 2010a; Neck et al. 2009; Sharir et al. 2009).

Given this study's focus upon the social capital of social enterprise this significant factor in social enterprise sustainability is discussed independently later in this chapter.

### **3.3.4: Legitimacy and social enterprise success**

The acquisition of legitimacy is recognised as delivering important benefits to a firm in terms of access to resources and increased chances of survival (Aldrich & Martinez 2001; Baum & Oliver 1991; Meyer & Rowan 1977). Whilst legitimacy is seen to be conferred upon firms that conform (DiMaggio & Powell 1983), importantly legitimacy can also be acquired by organisations that actively garner and influence their environment and the perceptions of their stakeholders (Suchman 1995). Adler and Kwon (2002) suggest that a venture's success depends in part upon its ability to create and maintain legitimacy. This is a point developed in the social enterprise context by Sharir et al who observe that "since social entrepreneurship is embedded in the social context" access to resources is "directly linked to the venture's ability to gain legitimacy" (2009 p. 78). Hence legitimacy has particular relevance to the success of social ventures (Dacin et al. 2010; Dart 2004; Ko 2012; Meyskens et al. 2010b; Moss et al. 2011; Teasdale 2012a; Townsend & Hart 2008) being a "critical resource that can be leveraged with internal as well external constituencies" (Doherty et al. 2014) and gaining legitimacy often depends on the social networks of the social entrepreneur (Meyskens et al. 2010b; Sharir et al 2009).

The choice of organisational structure is an opportunity for social enterprises to strategically gain legitimacy with critical stakeholders and impact access to important resources (Doherty et al. 2014; Townsend & Hart 2008). For example, the legal structure selected by a social enterprise can impact access to funding due to leading constraints placed upon various funding sources such as Foundations (Barraket & Anderson 2010; Burkett 2010; Doherty et al. 2014; Mendell & Nogales 2009; Townsend & Hart 2008). Importantly for social enterprises "their social mission is a source of legitimacy" and as such represents potential competitive advantage for these ventures (Dacin et al. 2010 p. 50; Teasdale 2012a). Thus increased public awareness is viewed as important for social enterprise (Dacin et al. 2010; Smallbone et al. 2001). However, "building public awareness" is deemed to be a challenge for social enterprises (Barraket et al. 2012) with the capacity for social enterprises to measure and report their impact to all stakeholders, although problematic, is thus salient (Barraket &

Weismann 2009; Doherty et al. 2009). Legitimacy is therefore identified as an important factor in social enterprise sustainability in the literature.

In summary, the literature is largely supportive of the four drivers of social venture survivability posited by Sharir et al. (2009) namely organisational resourcing, capabilities, networks and legitimacy. However much of the research to date is generalised, based upon small samples and case studies and it is unclear from prior research whether these factors apply similarly across social enterprises of varying types and stages of organisational development. Moreover, are there additional factors that need to be considered and how do the factors inter- relate, moderate, complement and potentially determine each other? The chapter proceeds by reviewing additional aspects of social enterprise research that relate to the sustainability of these ventures.

### **3.4: Commercial orientation**

Socially focused ventures need to address the challenge of sustainability through commercial activity (Chell 2007; Dees 1998a; Haugh 2009; Meyskens et al. 2010a; Seelos & Mair 2005). Indeed this commercial orientation is what differentiates these ventures from other socially motivated organisations (Doherty et al. 2009; Jones & Keogh 2006; Pearce 2003). The literature demonstrates differing perspectives upon the commercial orientation of social enterprises. Research has suggested that ambiguity can arise for social ventures in terms of the primacy of social or commercial aims (Austin et al. 2006; Eikenbury & Kluver 2004; Pearce 2003; Seanor, Bull & Ridley-Duff 2007) and issues associated with a duality of focus (Doherty et al. 2014; Eikenbury & Kluver 2004; Scott & Teasdale 2012; Seanor & Meaton 2008; Shaw & Carter 2007; Spear et al. 2009; Teasdale 2012a; Townsend & Hart 2008). This is particularly as social enterprises need to meet the expectations of multiple stakeholders (Doherty et al. 2009; Galera & Borzaga 2009; Morris et al. 2011; Neck et al. 2009).

Thus ambiguity around notions of profitability and the application of surplus by a social enterprise is apparent in the literature (Dichon & Anderson 2009; Jones & Keogh 2006; Ridley-Duff 2008; Westall 2009; Wilson & Post 2013). Whilst Ridley-Duff states that “there is an implicit assumption that profits are desirable so long as they can be channelled towards the collective needs” (2008 p. 293) and Wilson and Post (2013) suggest that it is acceptable for social ventures to be profitable, though not profit maximising, alternatively Dichon 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). Similarly Jones and

Keogh declare that profitability potentially “blurs the philosophical position that not-for-profits adopt” (2006 p. 12) and argue that caution is required by NFPs so as not to let a profit orientation impact on the core mission of a venture (Foster & Bradach 2005). In a UK study based upon 80 social ventures, it was reported that whilst social enterprise leaders acknowledged that income generation was a factor in meeting social aims “no respondent identified profit as a key objective” (Shaw & Carter 2007 p. 429). Similarly Austin et al. (2006) found that social entrepreneurs did not use financial measures to evaluate the success of their activities. Still others contend that when social enterprise operates in areas of market failure the ability to be profitable is severely limited (Diochon & Anderson 2009).

Alternatively it is recognised that social enterprises create economic value from earned income and capital accumulation (Meyskens et al. 2010a) and that “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 being a “more-than-profits” model (Jones & Keogh 2006) including organisations established with an explicit “for-profits” focus that enables the achievement of the enterprise’s social goals through economic success (Dees & Battle Anderson 2003; Hockerts 2006; Neck et al. 2009). This led 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). Therefore social enterprises need to achieve a surplus to be sustainable (Burkett 2010; Hynes 2009) as long term success for social enterprises is fundamentally underpinned by commercial factors similar to any traditional business (Coburn & Rijdsdijk 2010). More recent, large scale reports have found that over fifty per cent of social enterprises report achieving an operating profit (Barraket et al. 2010; Leahy & Villeneuve 2009; Villeneuve 2011). Such findings endorse Coburn and Rijdsdijk’s view that “successful social enterprises must be successful businesses first and foremost” with “a commercial orientation ... essential if social enterprises are to deliver on their social impact in a financially sustainable way” (2010 p. 5).

The issue is not whether commerciality is appropriate but how any surplus is treated (Jones & Keogh 2006; Ridley-Duff 2008; Wilson & Post 2013), with many contending that social enterprise profit needs to be reinvested in the enterprise rather than for individual wealth creation (Galera & Borzaga 2009; Pearce 2003). This is supported by recent surveys which identify that social enterprises reinvest profits to fulfil their purpose (Barraket et al. 2010; Leahy & Villeneuve 2009).

### 3.5: Social enterprise growth

Despite considerable research into the emergence of social ventures (Austin et al. 2006; Corner & Ho 2010; Dorado 2006; Mair & Marti 2006) the issue of organisational growth has attracted limited attention to date in the social enterprise literature (Blundel & Lyon 2012; Hynes 2009). This is despite policy makers increasingly viewing social enterprise as an alternative model to deliver services resulting in growing interest in ways to scale up successful social enterprise models (Blundel & Lyon 2012; Lyon & Fernandez 2012). In fact, recent UK research identifies a considerable appetite for growth amongst contemporary social enterprises (Villeneuve 2011). Significant barriers to growth such as access to funding have been identified (Burkett 2010, 2013; Villeneuve 2011). Nevertheless, Hynes (2009) argues that in order to sustain their social impact over time social ventures require a commercially focused growth culture, much as any traditional business. In fact Coburn and Rijdsdijk report that social enterprise leaders often link social enterprise success “to concepts of scale and growth” (2010 p. 3) and Scott and Teasdale conclude that to succeed, social enterprises not only need to “access resources” and develop “a strong cash-flow” but also “... need to grow” (2012 p. 142). However Barraket et al. observe that “managing growth without ... drifting away from mission” (2012 p. 8) is a challenge for social ventures.

Several recent large international surveys are insightful on this topic finding that over fifty per cent of social enterprises had experienced growth in the previous year (Barraket et al. 2010; Leahy & Villeneuve 2009; Villeneuve 2011). Moreover eighty-nine per cent of the respondents in a recent UK study reported undertaking action to stimulate growth (Villeneuve 2011) while Barraket et al. (2010) found that fifty-seven per cent of Australian social enterprises specifically re-invest any surplus towards growing their enterprise.

Several UK studies have suggested varying perspectives to growth amongst social enterprises. For example Bull and Crompton (2006), when investigating fifteen UK social enterprises, observed that their “drive to create financial surpluses was to re-invest in other service provision, not utilised for organisational development or growth” (2006 p. 49). Likewise, Seanor and Meaton reported that the majority of the social enterprises in their UK study “were reducing in size or had chosen not to grow” (2007 p. 96). More recently, when investigating the borrowing behaviour of social enterprises in the UK, Sunley and Pinch similarly identified “a very cautious attitude towards growth and expansion” amongst social

enterprises (2012 p. 113). Furthermore, Blundel and Lyon argue that “social ventures are often established with limited growth expectations” (2012 p. 2).

Thus there are varying perspectives on the issue of social enterprise growth and limited research into the factors that influence it. As previously identified, the social entrepreneurship literature has largely concentrated upon the creation of social ventures, focusing upon the importance of opportunity identification in social venture emergence (Austin et al. 2006; Dorado 2006; Mair & Marti 2006; Peredo & McLean 2006; Shaw & Carter 2007) rather than the growth of established enterprises. Blundel and Lyon summarise that beyond initial start-up the “long-term growth process in social ventures remains under researched” (2012 p. 5).

Nevertheless, some formative studies have considered the potential of franchising as a strategy for social enterprise development (Lyon & Fernandez 2012; Tracey & Jarvis 2007) reporting mixed levels of success. Entrepreneurial strategies such as effectuation (Corner & Ho 2010) and bricolage (Di Domenico et al. 2010b; Zahra et al. 2009) have also been mooted as providing insights into how social ventures develop. More recent research, conducted by Lyon and Fernandez (2012), albeit based upon a small sample, has discussed how social ventures can scale up their impact. These scholars identify that growth can be achieved through traditional internally driven diversification strategies as well as by developing external relationships, networks and partnerships to facilitate franchising and sharing best practice. Indeed the potential for social enterprise diversification through the acquisition and leverage of physical assets is acknowledged in the literature (Barraket & Anderson 2010; Burkett 2010; Haugh 2009; Hines 2005).

Given the paucity of research addressing social enterprise growth, scholars have suggested that the traditional small business literature be leveraged to help explain growth in the field (Blundel & Lyon 2012; Hynes 2009). Although small business growth is often associated with financial gain, research suggests that growth is often about the achievement of a variety of business goals including organisational survival and sustainability (Davidsson, Achtenhagen & Naldi 2010; Dobbs & Hamilton 2006). Thus a pre-eminent factor in determining the growth of a small business is a fundamental commitment to growth by the leader of an enterprise (Davidsson et al. 2010; Dobbs & Hamilton 2006; Hansen & Hamilton 2011). The small business literature therefore links venture sustainability to a strategic organisational orientation towards growth (Barringer & Jones 2004; Dobbs & Hamilton 2006; Hansen & Hamilton 2011; Smallbone, Leigh & North 1995) with a critical managerial

capability of any successful enterprise seen to be a strategic awareness to identify growth opportunities (Penrose 1959). The motivation and influence of the entrepreneur or business leader therefore represents a major factor in determining this important growth orientation (Barringer & Jones 2004; Schaper et al. 2011; Smallbone & Wyer 2012).

The small business literature emphasises the importance of networks in the emergence and growth of such enterprises (Brunetto & Farr-Wharton 2007; Conway & Jones 2012; Davidsson & Honig 2003; Martinez & Aldrich 2011). Thus small firms are viewed as “more likely to be dependent upon social capital” (Huggins & Johnston 2010 p. 465) with few disagreeing “that forming and managing external relationships is an important strategy for small business development” (Street & Cameron 2007 p. 239). Alliances and partnerships are therefore a key influence upon small business growth (Davidsson et al. 2010; Hansen & Hamilton 2011). For example, Dobbs and Hamilton (2006 p. 307) identify that “collaborative relationships provide both greater opportunity for growth and an indication” of an enterprises’ “growth intention”. Similarly, according to Hoang and Antoncic “there are growth benefits to inter-organisational linkages” (2003 p. 173) with such collaborative partnerships influential in terms of social enterprise sustainability (Meyskens et al. 2010a; Neck et al. 2009; Porter & Kramer 2006).

Thus the relationships and networks of small businesses are widely viewed as a critical aspect of a ventures success and growth (Aldrich & Zimmer 1986; Brunetto & Farr-Wharton 2007; Shaw 1998; Starr & MacMillan 1990) as well as entrepreneurial activity in general (Ardichvili et al. 2003; De Koning 2003; Hoang & Antoncic 2003; Singh et al. 1999). This connection between entrepreneurial networks and enterprise success similarly resonates in the social enterprise literature (Austin et al. 2006; Hynes 2009; Meyskens et al. 2010a; Shaw & Carter 2007; Sharir et al. 2009). This important topic is a major focus of this study and is therefore covered in more detail later in this chapter.

### **3.6: Social enterprise structure and governance**

The spectrum of social enterprise models discussed earlier in this thesis are furthermore reflected in a variety of legal structures employed by social ventures (Alter 2006; Peattie & Morley 2008b; Smallbone et al. 2001; Teasdale 2012) including for-profit, not-for-profit and hybrid forms (Burkett 2010; Dorado 2006; Florin & Schmidt 2011; Sabeti 2011). Hence traditional structures such as trusts, corporations, companies limited by guarantee, co-operatives and associations are utilised as well as more recent innovative social enterprise

hybrid forms such as the Community Investment Company (CIC) (Doherty et al. 2009; Teasdale 2012b; Sabeti 2011). With its novel asset lock and distribution rules the CIC was specifically established by the UK Government as a direct response to perceived social enterprise legal and funding needs (Buckingham et al. 2009; Doherty et al. 2009; Doherty et al. 2014; Galera & Borzaga 2009) allowing community focused “enterprises to use their profits and assets for the public good” (Galera & Borzaga 2009 p. 223). Similarly new legal structures aimed at addressing the need for “dual focused” enterprises such as the Benefit Corporation and the “low profit limited liability company” (L3C) are emerging in parts of the US (Florin & Schmidt 2011; McNeil & Kernot 2011; Sabeti 2011).

The choice of structure is an important issue for a social venture, as selection will impact the resourcing, functioning and performance of the enterprise (Burkett 2010; Doherty et al. 2014; Florin & Schmidt 2011; Sabeti 2011; Townsend & Hart 2008). For example, structure selection can have significant impact on social enterprise funding as it may constrain access to particular funding streams given that some institutions are unable to fund for-profit organisations irrespective of their purpose (Burkett 2010, 2013; Doherty et al. 2014; McNeil & Kernot 2011; Mendell & Nogales 2009). The choice of social enterprise structure is a strategic decision (Dees & Battle Anderson 2006) often based around gaining stakeholder legitimacy and its inherent potential for resource acquisition (Barraket & Anderson 2010; Burkett 2010; Doherty et al. 2014; Townsend & Hart 2008).

Structure can impact social enterprise growth (Barraket & Anderson 2010; Burkett 2010; Hynes 2009). Meyskens et al. argue that to be successful, a social enterprise must “choose the legal form that makes the most sense for their mission, financing needs and earned income goals” (2010a p. 428). Research in Australia supports this notion, identifying that a social enterprise selects its structure based on “capital needs, values and knowledge” (Barraket & Anderson 2010 p. 24). Indeed further research identifies that the “narrow legal and financial structure options available to social enterprises in Australia” are often seen as “unsuitable” by practitioners (McNeil & Kernot 2011 p. 244). Despite its salience, organisational structure is viewed as a somewhat under-researched aspect of social enterprise (Peattie & Morley 2008b; Spear et al. 2009) resulting in a lack of understanding and representing a constraint upon sectoral development (Burkett 2010; Hynes 2009).

Similarly, organisational governance is viewed as being an important factor in social enterprise development (Burkett 2010; Diochon 2010; Peattie & Morley 2008b). The

governance of an enterprise refers to the way a firm is “governed, directed, administered or controlled and to the goals for which it is being governed” (Carroll & Buchholtz 2013 p. 96) with the form of governance impacting social enterprises decision making and control mechanisms (Peattie & Morley 2008b). It furthermore plays a significant role in “goal achievement and innovation” for social ventures (Diochon 2010 p. 104). Good governance may confer legitimacy on social enterprise “by signifying responsible business practice and strong social purpose to external and internal stakeholders” (Barraket & Anderson 2010 p. 1).

Hence social enterprise Boards are identified as influential factors in social enterprise success (Burkett 2010; Diochon 2010; Hines 2005; Peattie & Morley 2008b). As a consequence the literature identifies a number of important issues associated with social enterprise Board members, notably, Board structure and selection (Barraket & Anderson 2010; Mason et al. 2007), the ability to attract Board members with important skills and networks (Diochon & Anderson 2009; Spear et al. 2009), the performance of Board members (Diochon 2010) and the potential conflict between differing social and business goals (Peattie & Morley 2008a; Spear et al. 2009; Townsend & Hart 2008).

Along these lines research by Bull and Crompton observed that for social enterprises the “board of directors were a key feature in decision making” with the majority of social enterprises in their study viewing Board involvement as “critical to the success of the organisation” (2006 p. 54). Indeed Chell (2007) specifically links social enterprise commercial success to having a Board with business experience. Similarly Diochon and Anderson declare that “social organisations are keenly aware of the value in having people with a business background on their Board” (2009 p. 23). Another study notes that business assistance for social enterprises often came “from closely associated bodies such as Boards” (Hines 2005 p. 17). However Bull and Crompton (2006) conversely reported exceptions where the Board caused operational issues by slowing down the decision-making process for social enterprise. Australian research in this area is, by comparison, limited. Although a study by Barraket and Anderson is supportive of the UK research, indicating that social enterprises in their study highlighted the “importance of establishing the right Board” with “a practical skill set relevant to the enterprise” (2010 p. 25).

The mode of governance incorporated by social enterprise has also attracted debate. The appropriateness of more democratic stakeholder approaches as opposed to the stewardship style associated with the traditional business shareholder model is a contested area within the field (Galera & Borzaga 2009; Low 2006; Mason et al. 2007). Some scholars view the



adoption of a multi-stakeholder, democratic style to the governance of social enterprises as central to fully developing their community potential (Borzaga & Tortia 2009). The multi-stakeholder engagement of social enterprise, whilst offering advantages such as inclusion and co-operation, can create governance issues (Meyskens et al. 2010a; Ridley-Duff 2008) thus being a source of potential conflict given varying stakeholder interests and perspectives (Mason et al. 2007; Spear et al. 2009; Townsend & Hart 2008). So despite governance playing an influential role in social enterprise development it is also, like organisational structure, identified as an area requiring additional research (Barraket & Anderson 2010; Diochon 2010; Spear et al. 2009; Westall 2009).

### **3.7: Social capital and social enterprise**

Social capital is at its core about relationships (Leana & Van Buren 1999; Woolcock 1998), and is a widely recognised strength of social enterprise (Bull et al. 2010; Lyon & Ramsden 2006; Pearce 2003; Ridley-Duff 2008; Seanor & Meaton 2008). These ventures are seen as possessing an inherent “capacity to build social capital” (Bull et al. 2010 p. 254) as the relationships created and promoted by social enterprise deliver important value to the community (Birch & Whittam 2008; Peredo & Chrisman 2006; Ridley-Duff & Bull 2011; Shaw & Carter 2007) and enhance “community cohesion” (Lyon & Ramsden 2006 p. 28). By creating social capital within a community social enterprises increase their legitimacy within the community (Ridley-Duff 2008; Ridley-Duff & Bull 2011). Therefore the social capital of social enterprise may facilitate important symbiotic networks that are both beneficial to the community and critical to the development and success of social enterprises (Meyskens et al. 2010a).

#### **3.7.1: Networks and social enterprise**

It is widely recognised that any enterprise is “embedded” in a network of relations that impact its performance (Conway & Jones 2012; Jack & Anderson 2002). There is a long tradition of researching the social networks of entrepreneurs and small business leaders in an attempt to better understand their effect upon the emergence and growth of enterprises (Conway & Jones 2012). Considerable evidence exists highlighting the importance of entrepreneurial networks to a firm’s development as they provide critical information, innovation and resources (Aldrich & Zimmer 1986; Brunetto & Farr-Wharton 2007; De Carolis & Saporito 2006; Huggins & Johnston 2010; Shaw 1998; Starr & MacMillan 1990)

and are recognised as being influential in the process of opportunity recognition (Ardichvili et al. 2003; De Carolis & Sparito 2006; De Koning 2003; Singh et al. 1999).

Social capital is similarly viewed as a significant factor in social entrepreneurship (Di Domenico et al. 2010; Mair & Marti 2006; Robinson 2006; Shaw & Carter 2007) and in the growth of social enterprises (Barraket & Anderson 2010; Hynes 2009). Networks are seen to offer significant potential in social enterprise development (Meyskens et al. 2010a; Shaw & Carter 2007; Sharir et al. 2009; Seelos et al. 2011) particularly with the networks of social entrepreneurs regarded as important in acquiring both resources and opportunities (Austin et al. 2006; Chell 2007; Dorado 2006; Shaw & Carter 2007; Seelos et al. 2011) as well as providing beneficial legitimacy to social ventures (Shaw & Carter 2007; Sharir et al. 2009).

Governments therefore attempt to develop networks to support the growth of social ventures with intermediate agencies potentially playing an important role here (Ridley-Duff & Bull 2011). Networks are thus viewed as a means of facilitating beneficial collaborative partnerships for social enterprises (Clifford & Dixon 2006; Meyskens et al. 2010a; Porter & Kramer 2006; Sharir et al. 2009) both within the sector and externally via government, philanthropy and corporations (Barraket & Anderson 2010; Meyskens et al. 2010a). This is important as collaborative partnerships and strategic alliances are widely recognised as delivering significant benefits to organisations including resource acquisition and competitive advantage (Das & Teng 1998; Porter & Kramer 2002). As such, collaboration is regarded as a key factor in the sustainability of social ventures (Meyskens et al. 2010a; Sharir & Lerner 2006) allowing social ventures to access resources (Friedman & Sharir 2009; Porter & Kramer 2002) as well as innovative solutions and income streams from diverse partner relationships (Meyskens et al. 2010a). Therefore multi-stakeholder networked partnerships are viewed as an important factor in the development of social enterprises (Alvord et al. 2004; Clifford & Dixon 2006; Meyskens et al. 2010a).

Despite social enterprises having “a wide range of opportunities to utilise network resources” (Barraket & Anderson 2010 p. 28), significantly, it is as yet “unclear what kinds of strategic alliances support performance” (Sharir et al. 2009 p. 90). The type and nature of community networks associated with social enterprises requires research as they may offer both opportunities and challenges for these ventures (Seelos et al. 2011). Although community networks that possess a high degree of cohesion and trust may on the one hand offer benefits such as increased solidarity. Conversely, these networks may stifle the emergence and

development of social enterprises due to their homogeneity and inherent lack of new information (Seelos et al. 2011).

Thus “the ability to create and exploit network relationships is construed as a firm-specific capability” for social enterprises (Haugh 2009 p. 101) with the requirement for “boundary spanning social entrepreneurs” to link to external networks beyond the community to access additional information and resources (Seelos et al. 2011). But despite the acknowledgment of this latent potential, little is known about the dimensions of this important facet of social enterprise activity (Haugh 2007) with a need for empirical research into the social networks of the leaders of social ventures (Certo & Millar 2008).

Given the perceived salience of relationships to social enterprise performance, Moss et al. argue that the “logical next step is to examine the nature of these relationships” (2011 p. 821). As Haugh observes there is a need to investigate the “structure, strength, role and effectiveness of social networks in social enterprise creation and development” to determine effective network strategies for social ventures (Haugh 2009 p. 113). It is also important to go beyond the structural nature and examine the quality of the relationships in social enterprise networks which involves an understanding of trust and reciprocity within the field (Ridley-Duff & Bull 2011).

### **3.7.2: Trust and social enterprise**

Despite the previously identified widespread recognition of the importance of social capital in social enterprise “there is surprisingly little research examining trust, or perceived trust, between social enterprises” (Ridley-Duff & Bull 2011 p. 89). This is significant given that trust is an important prerequisite for successful relationships (Leana & Van Buren 1999; Nahapiet & Ghoshal 1998; Prusak & Cohen 2001; Putnam 1993; Woolcock 1998) with “the development of a trusting relationship pivotal ... if the real benefits of networking are to accrue” (Brunetto & Farr-Wharton 2007 p. 382). Trust within the social enterprise context is as an important area requiring investigation (Ridley-Duff & Bull 2011).

Trust is a multi-dimensional phenomenon generally viewed as a willingness to be vulnerable (Nahapiet & Ghoshal 1998; Rousseau et al. 1998) inferring a readiness to depend on others (Brunetto & Farr-Wharton 2007). Trust therefore includes a degree of risk (Mayer et al. 1995). It moderates relationships (Brunetto & Farr -Wharton 2007), representing a pivotal element of the beneficial collaboration, support and reciprocal behaviour commonly associated with the shared norms and values of strong networks (Brunetto & Farr-Wharton

2007; Putnam 1993; Woolcock 1998). However once trusting relationships are apparent benefits accrue to a network such as information sharing and support (Adler & Kwon 2002; BarNir & Smith 2002; Hoang & Antoncic 2003) and where trust is high people are more likely to engage in exchange (Nahapiet et al. 2005). Trust also enhances co-operation and information flow in organisations (Adler & Kwon 2002; Nahapiet & Ghoshal 1998; Tsai & Ghoshal 1998) thus improving the effectiveness of these networks (Brunetto & Farr-Wharton 2007; Levin & Cross 2004; Prusak & Cohen 2001; Tsai & Ghoshal 1998) and is an important factor in entrepreneurial success (Hoang & Antoncic 2003).

Organisational trust is largely dependent on the development of trust at the interpersonal level as “trust occurs between individuals not firms” therefore it is “important to examine trust from an interpersonal level” (Brunetto & Farr-Wharton 2007 p. 366). Greater interpersonal trust leads to greater inter firm trust (Zaheer, McEvily & Perrone 1998). However, the belief or anticipation of integrity and norms of reciprocity that are associated with some trusting networks mean that trust may be generalisable based, not on knowledge of a specific individual, but upon the reputation of the network itself (Leana & Van Buren 1999). Trust by association offers potential with respect to weak ties that are made stronger through association with the collective reputation (Leana & Van Buren 1999).

Nooteboom (2006) emphasises that trust is contingent, requiring an individual to have faith in the “trustworthiness” of another person, or persons, under a given set of circumstances. Trust impacts the nature and extent of exchanges that occur within any given relationship (Nooteboom 2006). For the degree to which trust does or does not exist will determine from whom an individual will seek support (Adler & Kwon 2002). Moreover the quality of past interactions is important as it influences the strength of relationships, thus impacting the propensity for collaboration and resource exchange (Nahapiet & Ghoshal 1998). An individual’s predisposition to trust as well as their experiences of trust will impact their readiness to depend upon others (McKnight et al. 1998). However, the existence of common values and goals in any relationship will make individuals more likely to trust the members of a network (Gefen et al. 2005).

Within trust there is a fundamental belief that someone will conform to an inherent expectation or agreement (Nooteboom 2006). Trusting relations may commonly involve “controlling” mechanisms such as contractual or hierarchical relationships, often termed “calculus trust” (Lewicki & Bunker 1996) or a perception of self- interest that represents an in built “incentive” mechanism (Nooteboom 2006). However, there also exists a potentially

“stronger notion of trust which goes beyond self-interest” (Nooteboom 2006 p. 1). This “real trust” (Nooteboom & Gisling 2004 p. 8) is found in altruistic notions of benevolence or goodwill (Das & Tang 1998; Nooteboom 2006). Termed “identification” trust (Lewicki & Bunker 1996; Nooteboom & Gisling 2004) such trust is found within parties aligned in terms of background, interest, values, norms, reciprocity and goals (Nooteboom & Gisling 2004) as it emanates from “established, socially inculcated norms and values” (Nooteboom & Gisling 2004 p. 8). As such, identification trust is deemed a powerful form of trust (Nooteboom 2006). However it is rarely achieved in inter-firm relationships (Lewicki & Bunker 1996) despite being much sought after by organisations as it is beneficial in developing successful strategic alliances (Hoffman & Schlosser 2001; Volery & Mensik 1998). Moreover trust, as a key element of strong networks, may additionally appropriate benefit to the community in terms of stronger civic relations and a propensity for increasing communal co-operation and support (Adler & Kwon 2002; Putnam 1993).

In summary, although social capital is argued to be a strength of social enterprise (Birch & Whittam 2008; Bull et al. 2010; Pearce 2003) with these ventures recognised as creating and promoting valuable relationships and cohesion in the community (Bull et al. 2010; Ridley-Duff 2008) the role of trust in social enterprise has attracted limited research (Ridley-Duff & Bull 2011). This is despite trust being recognised as an important factor for value-based organisations that engage in business-like activity (Mair & Marti 2006) with collaboration with multiple stakeholders seen as critical to social enterprise success (Neck et al. 2009). As Meyskens et al. argue, the value of social enterprise partnerships is “based on the relationship or level of trust between individuals” (Meyskens et al. 2010a p. 448). An exploratory study in the UK conversely reported that a “state of distrust exists within social enterprise networks” particularly “where competition influences small vulnerable social enterprises to mistrust other organisations” leading to a lack of networking and co-operative activity (Seanor & Meaton 2008 p. 37).

### **3.8: Social enterprise relationships**

As previously noted relationships are at the core of social capital with social ventures viewed as multi-stakeholder organisations possessing a number of important internal and external relationships (Mason et al. 2007; Meyskens et al. 2010a; Peattie & Morley 2008a; Townsend & Hart 2008). The next section will therefore examine several of these important external relationships that have attracted considerable research attention namely the community,

government and intermediaries as well as the multi-stakeholder context within which social enterprise operates.

### **3.8.1: The community and social enterprise**

Social enterprise is embedded in community (Nicholls & Young 2009; Pearce 2003; Seelos et al. 2011). Community based enterprises are viewed as historically significant and a major component of the contemporary social enterprise domain (Hockerts 2006; Peattie & Morley 2008b; Teasdale 2012b). Community constitutes “the principal realm” in which social enterprises “explore and develop their business models” (Seelos et al. 2011 p. 335). Recent empirical data endorses social enterprise as a local phenomenon (Barraket et al. 2010; Leahy & Villeneuve 2009). The notion of community organisations working to enhance the collective welfare is thus a fundamental aspect of social enterprise (Haugh 2007; Pearce 2003; Peredo & Chrisman 2006; Smallbone et al. 2001). Indeed Pearce (2003) outlines a complete framework for a “community enterprise model”. A notion developed by Peredo and Chrisman (2006) and their theory of “community-based enterprise” emphasises the critical role of social entrepreneurship within a community. As previously discussed, the “embeddedness” of social enterprise in its community provides both opportunity and challenges for social entrepreneurs in terms of accessing institutional support and developing beneficial networks (Seelos et al. 2011).

The literature further recognises the potential for social enterprise to galvanise communities (Shergold 2009) as these ventures “bring together communities around a common purpose” (Smallbone et al. 2001 p. 46). Such community cohesion and ambition, when aligned with the “commercial edge” of social enterprise, is a major driver of innovation (Shergold 2009). Similarly the embedded social capital in a community, with its inherent networks and trust, is viewed as being a vital factor in the facilitation of social ventures (Birch & Whittam 2008; Mair & Marti 2006; Pearce 2003; Peredo & Chrisman 2006; Shaw & Carter 2007). Conversely, social enterprise activity is seen at the same time to beneficially generate valuable civic social capital through its inherent relationships (Steinerowski et al 2008) that promote reciprocity, trust and cohesion within the community (Bull et al. 2010; Ridley-Duff 2008).

Research illustrates the important role that social enterprise plays in community “regeneration” and local and regional development (Borzaga & Tortia 2009; Haugh 2007; Peattie & Morley 2008b; Seelos et al. 2011; Steinerowski et al 2008; Steinerowski &

Steinerowska-Streb 2012). This is a point emphasised by Harding (2006 p. 43) who observes that policy makers are well aware of “social enterprise as a means to regenerating deprived communities”. This regenerative impact applies to both urban and rural communities (Di Dominico et al. 2010; Haugh 2007; Robinson 2006; Steinerowski et al 2008; Steinerowski & Steinerowska-Streb 2012) and is well evidenced by the Scottish Government’s Social Economy Strategy that targeted support to social enterprise across all of Scotland’s local authority areas (Dorotea et al. 2009; Steinerowski & Steinerowska-Streb 2012 ) with a recent Australian study emphasising “the value of social enterprise to regional development” (Barraket et al. 2012 p. 8).

The impact of social enterprises on regional communities is manifested in a variety of ways. Firstly, social enterprises are generally attributed with delivering intangible benefits such as social inclusion, equity and social wellbeing to their community (Alter 2006; Barraket et al. 2012; Leadbeater 1997; Mulgan 2010; Ridley-Duff 2008). Further, and more tangibly, these ventures often fill institutional voids providing basic services to communities in areas such as poverty, health and education (Florin & Schmidt 2011; Stecker 2014). Moreover social enterprise is also acknowledged as aiding economic outcomes in both urban and rural communities such as increased employment (Barraket et al 2010; Harding 2006; Teasdale 2012a) and increased training opportunities (Peattie & Morley 2008a; Steinerowski et al 2008). These ventures may also generate positive environmental impacts (Cato, Arthur, Keenoy & Smith 2008; Vickers 2010) as well as cultural benefits in regional areas (Eversole, Barraket & Luke 2014) and are widely recognised for developing the social capital in the community (Bull et al 2010; Di Domenico et al 2010; Eversole et al 2014; Lyon & Ramsden 2006; Ridley-Duff & Bull 2011).

Thus the literature establishes the fundamental connection between community and social enterprise. It is a relationship of central importance to this project that seeks to better understand the influences upon social enterprise sustainability and the strategic potential offered by developing community relations.

### **3.8.2: Social enterprise and government**

Given a growing recognition of their positive socio-economic impact (Galera & Borzaga 2009; Harding 2004; Peattie & Morley 2008b; Peredo & Chrisman 2006) social enterprise has progressively attracted the attention of government (Barraket et al. 2010; Blundel & Lyon 2012; Scott & Teasdale 2012; Teasdale 2012b). In fact increasingly “governments around the

world are examining the potential of social ventures as an alternative vehicle for service delivery” and that therefore social enterprises “be encouraged to grow, both in number and in scale in order to address a range of social, economic and environmental concerns” (Blundel & Lyon 2012 p. 3). This is evidenced by the UK Governments consistent development of the sector over the last decade (Blundel & Lyon 2012; Harding 2004; Mawson 2010; Shanmugalingam et al. 2011). Similarly from an Australian perspective, the Australian Productivity Commission Report (2010) highlighted the significant potential that social enterprise represents for the community and there are signs of a growing awareness amongst Australian policy-makers of the potential for social enterprise to address social issues (Barraket et al. 2010). This is evidenced more recently in a number of foundational funding programs for social enterprises initiated by Australian Federal and State governments, for example, the nationally focused Social Enterprise Development and Investment Fund established in 2011.

Thus governmental relations and public policy are viewed of significance to social enterprise development (Barraket & Weissman 2009; Blundel & Lyon 2012; Coburn & Rijsdijk 2010; Hines 2005; Scott & Teasdale 2012). Government plays a pivotal role in shaping community policy and enterprise development (Hefferan 2010). Government is important to the development of social ventures (Jiao 2011) particularly given the challenges of funding social enterprises (Burkett 2013; Burkett & Drew 2008; Mendall & Nogales 2009) as many social enterprises are reliant upon public markets, often operating in areas of marked social exclusion and market failure (Diochon & Anderson 2009; Galera & Borzaga 2009). These ventures are therefore “highly susceptible to Government influence” (Coburn & Rijsdijk 2010 p. 5), often requiring funding from “a supportive political environment to counterbalance a lack of market opportunities” (Scott & Teasdale 2012 p. 152). An “unintended consequence” of such support may be that government “fosters dependency” amongst social ventures, potentially constraining entrepreneurial activity (Diochon & Anderson 2009 p. 23) and grant funding alone does not lead to sustainable social ventures (Social Traders 2013).

However the literature emphasises the overall salience of government-social enterprise relations, it also identifies a number of specific public policy issues and opportunities relating to social enterprise development. For example, the potential for government to beneficially raise the awareness of social enterprise and its impact in the community is highlighted (Barraket & Weissman 2009; Lyon et al. 2005; Smallbone et al. 2001). Furthermore, the lack



of knowledge of the impact and potential of social enterprise amongst policy makers is of particular significance as informed policy makers can instigate social procurement strategies to “maximise the power of governments as purchasers to support social enterprise” (Barraket & Weissman 2009 p. 1). Social procurement is thus viewed as a key policy opportunity for social enterprise development (Barraket & Weisman 2009; Doherty et al. 2009; Lyon et al. 2005) with the “continuing success of social enterprises” most notably influenced by “public policy and spending” (Coburn & Rijdsdijk 2010 p. 1).

Barraket and Weisman (2009) identify a number of key enablers to social procurement activity including the development of social enterprise–governmental relationships, increased education of government personnel and enhanced access to finance for social businesses in order to scale up and deliver on such contracts. A recent report for the Scottish Government similarly found that relationship building to develop the trust to breakdown perceived barriers to collaboration would enable more social procurement initiatives to come to fruition (Stewart 2012).

Also gaining attention, given the important role that structure and governance plays in social enterprise success (Barraket & Anderson 2010; Burkett 2010; Townsend & Hart 2008), are innovative policy developments in relation to social enterprise legal structures internationally (Doherty et al. 2009; Galera & Borzaga 2009). Notably, the recent advent of the Community Interest Company (CIC) specifically designed to foster the development of social enterprise in the UK (Buckingham et al 2010; Galera & Borzaga 2009; Teasdale 2012b) and the Benefit Corporation in the USA (Sabeti 2011).

Research has also consistently identified the facilitation of business support for social enterprise as an important area of governmental focus (Hines 2005; Hynes 2009; Lyon & Ramsden 2006; Villeneuve 2011). Such critical support needs to be specifically tailored to the needs of social enterprise (Hines 2005; Hynes 2009; Lyon & Ramsden 2006; Social Traders 2013) with a number of studies further suggesting that such support is best delivered by specialist providers such as intermediaries (Burkett 2010, 2012; Lyon & Ramsden 2006; Shanmugalingam et al. 2011; Social Traders 2013) that “exhibit knowledge of the sector and empathy with its aims” (Hines 2005 p. 28).

### **3.9: Social enterprise intermediaries**

Thus social enterprise intermediaries, organisations aimed at “bringing about social change ... by filling the gaps in finance and business support” (Affleck & Mellor 2006 p.

304), are increasingly viewed as being important to social enterprise sustainability (Burkett 2013; Shanmugalingam et al. 2011). These entities play “an intermediation role” within the sector that involves “aggregating and matching finance, skills, physical collaboration space, evidence, technologies and networks” (Shanmugalingam et al. 2011 p.18) and are recognised as an established feature of social enterprise development (Burkett 2013; Chertok et al. 2008; Cooch & Kramer 2007; Kneidling & Tracey 2008; Mendell & Nogales 2009; Shanmugalingam et al. 2011) having the potential to play a significant role in supporting and building the field (Burkett 2013; Chertok et al. 2008; Lyons et al. 2007; Mendell & Nogales 2009; Porter & Kramer 1999; Sunley & Pinch 2012). According to a recent UK study “social venture intermediaries play an increasingly vital role for the emerging sector of social ventures” (Shanmugalingam et al. 2011 p. 19) illustrating that social enterprises supported by intermediaries had on average increased their revenue by 149 per cent and the number of beneficiaries by 132 per cent.

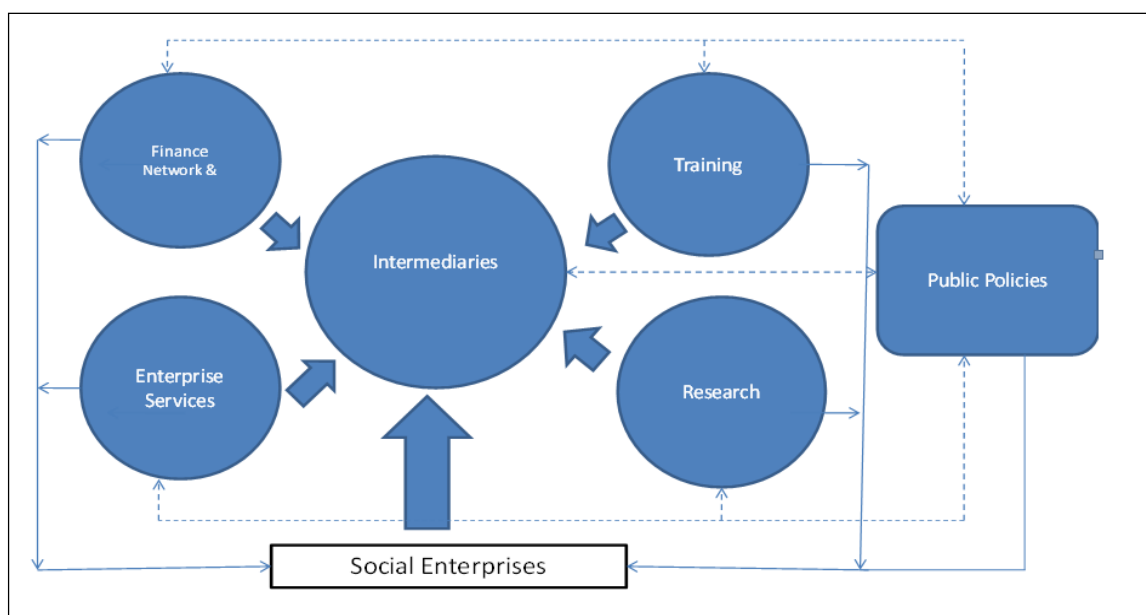
There is recognition of the need for specialist intermediaries to provide not only funding support but also advisory, networking, business development and training support (Hines 2005; Lyon & Ramsden 2006; Peattie & Morley 2008b; Shanmugalingam et al. 2011; Social Traders 2013). Recent research extends this view, observing that intermediaries need to be “transformational” rather than purely transactional in their relationship with social enterprise (Burkett 2013) providing both “knowledge and funding assistance” (Sunley & Pinch 2012) and fulfilling a range of interrelated functions such as capability development, innovation, advocacy, research and sectoral capacity building support (Burkett 2013; Shanmugalingam et al. 2011).

Despite widespread international recognition of the potential that intermediaries offer to support the sectors development (Burkett 2013; Kneidling & Tracey 2008; Lyons et al. 2007) to date in Australia “the role of intermediaries ...has not been well understood” (Burkett 2013 p. 7). This is perhaps manifested in the fact that “there are relatively few intermediaries” in Australia “offering support to the NFP sector” (Australian Productivity Commission 2010 p. LVIII). Conversely Shanmugalingam et al. declare there are “over 100 organisations that fit our broad definition of an SVI in the UK” (2011 p. 19). This has led the Australian Productivity Commission to go so far as to state that “in contrast to the experience in several other countries ... intermediaries are relatively under developed” in Australia and that “the experience in the UK points to the important role that government can play in building the supply of intermediary organisations” (2010 p. 234).

Increasingly intermediaries are seen to offer the potential of “shaping the markets for social ventures” (Shanmugalingam et al. 2011 p. 5) with a growing recognition that this support should reflect not only the emergence but the lifecycle of social enterprise development (Burkett 2013). Therefore intermediaries need to be aligned to both preparing nascent social enterprises for “investment readiness” as well as subsequently supporting them to grow by “building the viability and sustainability of social enterprises” (Burkett 2013 p. 49). This requires a significant shift of perspective for intermediaries, moving beyond a traditional focus upon grant and gift allocation to a more holistic development model (Burkett 2013). Although finance is a key function of specialist social enterprise intermediaries “equally vital are access to skills, advice in shaping business models and networks and relationships” particularly in the “transitional growth phase” of social enterprise development (Shanmugalingam et al. 2011 p. 7).

The capacity for intermediaries to support the networking activities of social enterprises, particularly with public policy makers is critical (Shanmugalingam et al. 2011). However, an important pre-condition for successful intermediary engagement is the existence of “trustful relationships ... between social enterprises and support agencies” (Seanor & Meaton 2008 p. 30). Governments must ensure that intermediaries provide “the right support at the right times” (Coburn & Rijsdijk 2010 p. 5) and it is important in an emerging field such as social enterprise that appropriate standards of “accountability, competition and transparency” are identified and established for intermediaries (Shanmugalingam et al. 2011 p. 19).

This important transformational role for intermediaries is “about changing perspectives, practices, behaviours and visions” (Burkett 2013 p. 26). Such a fundamental process requires a social policy and institutional framework that underpins these initiatives (Mendell & Nogales 2009) requiring a key role for specialist social enterprise intermediaries in a multi-stakeholder engagement model to facilitate the development of sustainable social enterprise activity (Burkett 2013; Mendell & Nogales 2009; Meyskens et al. 2010a; Shanmugalingam et al. 2011). The following theoretical model devised by Mendell and Nogales (2009) identifies the pivotal role that intermediaries may play in social enterprise development.



**Figure 3.9: The role of intermediaries**  
(Adapted from Mendell & Nogales 2009)

### 3.10: Multi-stakeholder networks of social enterprise

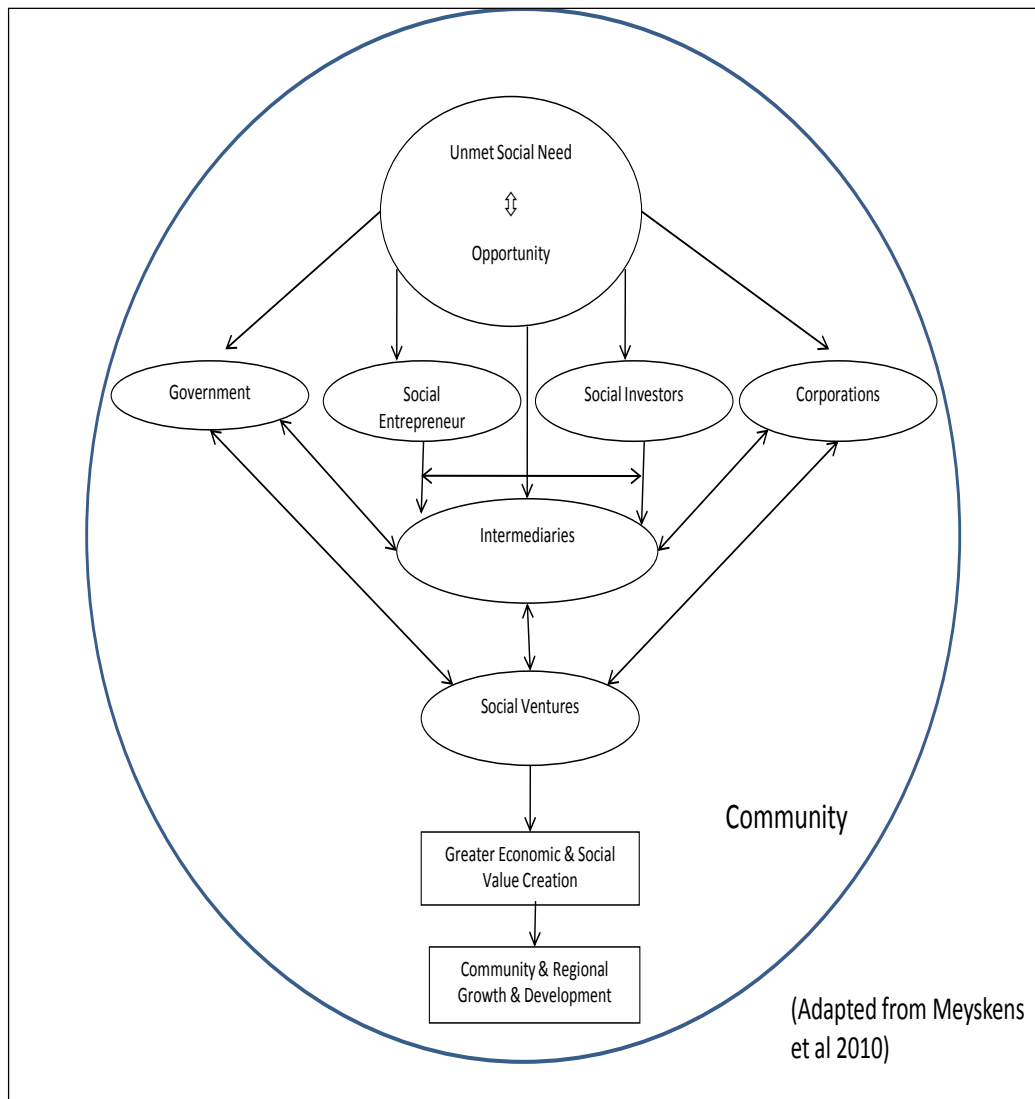
As identified, the relationships and networks of a social enterprise play a critical role in the success of these ventures (Clifford & Dixon 2006; Haugh 2006; Hockerts 2006; Meyskens et al. 2010a; Shaw & Carter 2007). Such networks may be formed both within the sector and externally via government, philanthropy and corporations (Barraket & Anderson 2010; Meyskens et al. 2010a) with these multi-stakeholder collaborative relationships viewed as a critical factor in the development of sustainable social enterprises (Coburn & Rijsdijk 2010; Di Domenico et al. 2010a; Peattie & Morley 2008a; Meyskens et al. 2010a). The question of how to most effectively create these networks and leverage the inherent social capital and legitimacy is therefore an important research issue (Dacin et al. 2010; Mendell & Nogales 2009; Townsend & Hart 2008).

Scholars have analysed social enterprise from an institutional perspective (Dart 2004; Robinson 2006) incorporating an awareness of the salience of stakeholder relationships to organisational success (Doherty et al. 2014; Mason et al. 2007; Meyskens et al. 2010a; Neck et al. 2009; Townsend & Hart 2008). The central tenet of stakeholder theory is that an enterprise has responsibilities beyond those of its shareholders alone being embedded in a network of integrated internal and external relationships that it either affects or is affected by (Freeman 1984). An organisation must therefore understand and develop this network through a process of engagement with these stakeholders (Freeman 1984; Gao & Zhang

2006) as there are benefits to be derived for an enterprise that successfully manages its stakeholder relationships (Donaldson & Preston 1995; Hatch 2006).

Thus stakeholder engagement is seen to be essential for social enterprises (Haugh 2006; Meyskens et al. 2010a) with the “long term sustainability” of these ventures seen to “hinge” upon recognising and generating value for “multiple stakeholder groups” (Neck et al. 2009 p. 17). For social ventures exist in an environment consisting of a diverse and inter-related range of stakeholders including customers, competitors, the community, government, corporations, employees, suppliers as well as investors (Haugh 2006; Meyskens et al. 2010a; Townsend & Hart 2008). In fact Meyskens et al. (2010a) argue that social enterprises are embedded in a community based, multi-stakeholder network whereby governments, corporations and social ventures, by leveraging inherent social capital may create “symbiotic relationships” within the community and facilitate the development of sustainable social ventures. Thus the importance of stakeholder alignment in relation to social enterprise development is emphasised in the literature (Doherty et al. 2009; Meyskens et al. 2010a; Morris et al. 2011; Ridley- Duff 2008; Townsend & Hart 2008) requiring “ collaboration with a variety of stakeholders” and an emphasis upon “planning and executing strategy accordingly” (Neck et al. 2009 p. 17). However, stakeholder alignment can be problematic for social ventures given their “dual focus” (Doherty et al. 2014; Eikenberry & Kluver 2004; Florin & Schmidt 2011; Morris et al. 2011; Townsend & Hart 2008).

Translating the collaborative multi-stakeholder networks of social enterprise into “institutionalised arrangements” requires considerable political, corporate and community collective commitment, collaboration and innovation from all stakeholders (Mendell & Nogales 2009). The following model, adapted from Meyskens et al. (2010a), illustrates a theoretical multi-stakeholder development model for social enterprise.



**Figure 3.10: Social enterprise development model**

(Adapted from Meyskens et al. 2010a)

### 3.11: Summary

This chapter presented a review of the important literature pertaining to the field of social enterprise and specifically in relation to the research questions under investigation in this thesis. The literature relating to the background, conceptualisation and characteristics of the field of social enterprise has been presented, framing the research and providing fundamental context for the thesis. Research relating to the sustainability of social ventures was considered focusing upon the areas of resourcing, capabilities, legitimacy and networks that prior research suggests are critical. The review then considered prior research pertaining to the commerciality and growth of these enterprises, incorporating the literature relating to the growth of traditional small businesses. The role of structure and governance in social enterprise development was also reviewed.

Finally, the chapter considered key elements of social capital that relate to the research issues, focusing upon networks and trust before examining research relating to important social enterprise relationships such as with the community, government and intermediaries. These relationships represent core elements of the multi-stakeholder, networked environment of social enterprise identified in the literature.

## **CHAPTER 4: RESEARCH METHODOLOGY**

### **4.0: Introduction**

In this chapter the research methodology selected and employed by this study will be discussed. The first step involves a discussion of the philosophical framework or “worldview” that underpins the research, given that “our worldview informs the type of research design we employ” (Creswell & Plano 2007 p. 27). The chapter will therefore firstly outline the “pragmatic” worldview that underpins and indeed complements the mixed methods research methodology followed by an examination of the research design and the different methods used to collect and triangulate data (Bryman & Bell 2011; Yin 2011).

### **4.1: Justification of the research paradigm**

A paradigm consists of the set of personal values, beliefs and assumptions that are shaped over time from an individual’s experiences, beliefs and attitudes (Creswell & Plano 2007; Guba & Lincoln 2005) representing a “general orientation to the world and the nature of research that a researcher holds” (Creswell 2009 p. 6). A paradigm includes an inherent set of philosophical assumptions about reality, information and the methods of accessing information that influences any research project (Creswell & Plano Clark 2007; Teddlie & Tashakkori 2009). Despite possessing common elements, paradigms present different ways of interpreting an issue under investigation in terms of the nature of reality (ontology), how we gain knowledge about an issue (epistemology), the role of values (axiology) and the process of research (methodology) (Creswell & Plano 2007). Given their influence upon overall research methodology it is important to carefully consider and clarify the framework within which a specific study resides (Creswell 2009).

The rationale for conducting this research under the pragmatic paradigm is detailed in Section 4.1.1. Firstly, however, a brief summary of the alternative major paradigms is presented, as scholars have debated at length their various merits (Creswell 2003; Miles & Huberman 1994; Teddlie & Tashakkori 2009) and they directly influence the pluralistic pragmatic paradigm that informs this study.



#### **4.1.1: Positivism**

The historically dominant paradigm is positivism with its central ontological tenant of viewing reality as discernible, predictable and measureable (Guba & Lincoln 1994).

Positivism thus views reality as singularly deterministic, objective and observable, independent of human consciousness allowing it to be measured and tested, value free by the researcher with a purpose of explaining causal relationships and testing theory in a replicable and general manner (Bryman & Bell 2011; Creswell 2009; Guba & Lincoln 1994; Teddlie & Tashakkori 2009). This paradigm advocates deductive research and typically utilises instruments such as surveys and experimentation. The positivist framework therefore informs aspects of this research.

#### **4.1.2: Constructivism**

For the constructivist on the other hand, reality is discerned differently. It is internally experienced and subjectively driven by the participants, being individually and socially constructed with not one but multiple realities and interpretations that are inherently value bound (Creswell & Plano 2007; Guba & Lincoln 2005; Teddlie & Tashakkori 2009).

Constructivist research is therefore largely inductive and theory building in intent, aiming for an insight into meanings constructed by participants in a social context where the researcher is an integral and “passionate” participant in the process (Creswell 2009; Guba & Lincoln 1994; Teddlie & Tashakkori 2009). Typically research informed by this paradigm is administered using instruments such as interviews, focus groups and observation. Given the nature of this research, important elements of this paradigm inform and influence the methodology undertaken. However the worldview that provides the overarching foundation for this research project is pragmatism.

#### **4.1.3: Pragmatism**

Pragmatists adopt both quantitative and qualitative research methods drawing upon the deductive, empirical objectivity of the positivist as well as the more inductive, value- bound, socially constructed reality of the constructivist (Creswell & Plano 2007). Pragmatism is focused upon the consequences of actions, whilst being problem-centred, pluralistic and real-world practice orientated (Armitage 2007; Creswell 2009). Researchers of the pragmatic persuasion seek to link their approach to “what works,” whilst “using diverse approaches ... valuing both objective and subjective knowledge” (Creswell & Plano 2007 p. 26).

Given the diverse nature of this research topic the plurality of pragmatism is thus complementary. For this study seeks to explore aspects of commercial sustainability within social enterprise, a domain driven by subjective values on the one hand and rational economics on the other. Moreover, pragmatism is viewed as relating particularly well to “research that has important societal consequences” (Teddle & Tashakkori 2009 p. 91).

Furthermore, the pragmatic worldview aligns with the perspectives and experiences of the researcher, drawn as they are from two decades of real-world, problem-centred, consequence driven entrepreneurial activity. As noted by scholars, research paradigms are often shaped by a researcher’s personal values, beliefs and assumptions which themselves have been moulded from an individual’s experiences, beliefs and attitudes (Creswell & Plano 2007; Guba & Lincoln 2005).

Both the experiences of this researcher as well as the nature of the research itself align with the pragmatic worldview. As such, pragmatism is seen as a good fit for this research leading to the selection of the project’s research methodology, namely the mixed methods approach, discussed in the ensuing section.

#### **4.2: Justification of research methodology**

According to Creswell (2009), there are three key factors to consider when selecting the most appropriate methodology for a study, namely:

1. The nature of the research issue.
2. The nature of the audience.
3. The knowledge and experiences of the researcher.

Applying these criteria it can be seen that the mixed methods approach is the optimal selection for this project for the following reasons:

- Firstly, the research questions posed in this study are better addressed through the complementary collection of both qualitative and quantitative data as this allows a deeper and broader analysis of the issues (Creswell & Plano 2007).
- Secondly, this research explores the emergent, values-driven field of social enterprise, a field with multiple perspectives. The mixed methods approach is well suited to

addressing research issues in complex social contexts, enabling diversity and allowing expression of differing viewpoints to be accommodated in the design (Armitage 2007; Tashakkori & Teddlie 1998).

A mixed methods approach accommodates the specific context and audience of the research thus enabling the project to better address the study's central issues. For mixed methods research purposefully combines or associates both quantitative and qualitative approaches in a study (Creswell 2009; Yin 2011) providing "a better understanding of the research problem than either approach alone" (Creswell & Plano 2007 p. 5).

The approach has been formally connected to the pragmatic paradigm by leading academics (Creswell 2009; Creswell & Plano 2007; Teddlie & Tashakkori 2009). These scholars argue that it is a methodology underpinned by the philosophical assumptions of pragmatism and variously identify the following major tenets of the methodology in support:

- Methodological choice should be guided by practical and applied considerations, benefiting from the combination of inductive and deductive thinking, drawing out diverse viewpoints in relation to social complexities and subjectivity where the interpretation of values can be important.
- Both quantitative and qualitative methods can be used in a single project and that the use of both in combination delivers a better understanding of the research issue.
- In mixed methods, it is the research question and the experiences of the researcher and the audience that takes primary importance.
- The combination of methods enables convergence and integration of data in a complementary manner, adding depth and breadth to the research that can expand and elaborate research findings.

Therefore this study, situated in the emergent, value-laden context of a field such as social enterprise is well suited to the pragmatically based mixed methods approach. The complementary combination of qualitative and quantitative data enables the researcher to more comprehensively address the research issues in this study and both explore and expand theoretical thinking in this emergent social field.

Described as a pre-paradigmatic field requiring both exploratory and confirmatory research to develop and extend theory (Nicholls 2010; Short et al. 2009) social enterprise research has been largely based on case study research and grounded theory, predominantly focused on the

“heroic” social entrepreneur (Short et al. 2009) prompting research that employs more quantitative methods to broaden the research focus (Hynes 2009; Peattie & Morley 2008b; Short et al. 2009). This study attempts to address this need through its mixed methods orientation and by focusing its enquiry at both the enterprise and the entrepreneurial level.

The study recognises that the collection of data from samples of sufficient size to enable powerful statistical analysis is challenging in the social enterprise domain. Therefore the study seeks to take a realistic first step by collecting a mix of data that enables not only inductive and expansive theory building but also informs further instrument development and builds a base for future research with expanded sampling methods.

Moreover, this project further recognises that despite prior focus on the social entrepreneurs and their role in creating social enterprises (Austin et al. 2006; Mair & Marti 2006; Short et al. 2009) social enterprise is in fact a wide ranging domain of organisations of differing backgrounds and sizes that are often a product of formal and informal groups or networks (Peredo & McLean 2006; Spear 2006). Hence this project specifically targets a range and mix of data across a variety of social enterprise “types” to enable both explorative and comparative analysis across the spectrum of social enterprise (Alter 2006; Teasdale 2102).

Finally, the experience and expertise of the researcher and the availability of resources are important factors in design selection (Creswell 2009; Creswell & Plano 2007; Yin 2011). In fact a lack of resources, particularly time, and the challenge of undertaking the combination of research approaches are often identified by scholars as potential issues in applying the mixed methods approach (Bryman & Bell 2011; Creswell & Plano 2007; Yin 2011). For this study it was determined that sufficient time was available for the researcher to develop and apply the required skills across both the quantitative and qualitative aspects required in a design of this type. Moreover, the entrepreneurial experience, interpersonal skills and networks of the researcher were viewed as highly complementary to the project.

In summary, the selection of the mixed methods approach for this project is justified, matching the actual research rather than “adhering to some narrow methodological orthodoxy” (Patton 2002 p. 264). The chosen methodology aligns with the experience and pragmatic worldview of the researcher and is well suited to investigating an emerging and complex social field (Bryman & Bell 2011; Teddlie & Tashakkori 2009) providing a better understanding of the research issue (Creswell & Plano 2007). Having established the overall methodology the next section will examine the research design selected for the project.

### **4.3: Mixed methods research design**

A research design is the “framework for the collection and analysis of data” in a given study (Bryman & Bell 2011 p. 40). It represents a “logical blueprint” for a study that connects the research questions with the strategies for collection and analysis of data so that the project’s findings address the issues inherent in the study (Yin 2011). All research projects will have an implied or explicit design and good research will explicitly look to develop “strong designs to strengthen the validity of the studies” and better address the research issues at hand (Yin 2011 p. 75). Researchers place different emphasis on design depending upon their quantitative and qualitative focus (Yin 2011). Therefore given this study’s mixed approach it was important to consider research designs that specifically address added complexities inherent in mixed methods research.

Scholars have developed a variety of research designs specific to the mixed methods approach (Creswell 2009; Teddlie & Tashakkori 2009) usefully categorised by Creswell and Plano (2007 p. 59) into a “parsimonious and functional classification” of four designs, namely Triangulation, Embedded, Explanatory and Exploratory. The following table illustrates how these four categorisations are further broken down by these authors into sub-variants as well as how each design varies in terms of several key dimensions and the consequential decisions associated with them. Thus the table importantly identifies how each design varies and the associated options available to the researcher in terms of:

- Timing; when the respective qualitative and quantitative research components will be undertaken.
- Weighting; the relative importance that is apportioned between the two types of research.
- Mixing the Data; when/how the combining of the respective quantitative and qualitative data takes place.

**Table 4.3: The major mixed methods design types**

(Adapted from Creswell &amp; Plano 2007)

Design Type	Variant	Timing	Weighting	Mixing
Triangulation	Convergence Data transformation Validating Multilevel	Concurrent: qual and quant at same time	Usually equal	Merge the data during interpretation or analysis
Embedded	Experimental Correlational	Concurrent or sequential	Unequal	Embed one type within a larger design using other type of data
Explanatory	Follow up Participant selection	Sequential: quant then qual	Usually quant	Connect the data between the two phases
Exploratory	Instrument or Taxonomy development	Sequential: qual then quant	Usually qual	Connect the data between the two phases

**4.3.1 Triangulation design: Convergence model**

Of these design options Triangulation is the traditional and most widely used mixed methods approach involving the concurrent collection of qualitative and quantitative data to allow comparison during interpretation (Creswell & Plano 2007; Yin 2011). It is most appropriate when the researcher seeks to “compare and contrast” and “relate” both qualitative and quantitative findings to better comprehend the research issues (Creswell 2009). On this basis a Triangulation design was chosen for this project. Furthermore, the specific variant selected was the Triangulation Design-Convergent Model. In this model the two types of data are collected and analysed separately with the two sets of results being converged by comparing and contrasting the results during the interpretation process (Creswell & Plano 2007; Yin 2011).

This model not only allows the researcher “to end up with valid and well-substantiated conclusions about a single phenomenon” (Creswell & Plano 2007 p. 65) but the design incorporates an efficient data collection procedure conducive to this project. For the data collection is administered in a single phase commonly referred to as a “concurrent” or “parallel” design (Bryman & Bell 2011; Creswell & Plano 2007; Teddlie & Tashakkori 2009).

This concurrent approach delivered a number of important benefits to the study. Firstly, it provided an efficient and effective method of securing the research data via a single participant episode delivering benefits in terms of time and cost savings (Yin 2011). Just as importantly the parallel method delivered an excellent return rate for the questionnaire. Other approaches such as postal questionnaires, particularly relatively large versions, often “result in lower response rates than comparable interview based studies” (Bryman & Bell 2011 p. 234). By administering the survey concurrently with the interview wherever possible this study achieved very high survey response rates. This approach also demonstrated an awareness and sensitivity that resonated with the time-poor, busy executive respondents assisting the researcher in developing important relationships with the participants; useful both in this and subsequent research.

The validity of the study was enhanced by having the interviewer available, though apart and non-directional, during questionnaire completion enabling the interviewer to assist the participant if a question was unclear resulting in better responses and less missing data (Bryman & Bell 2011). Additionally this approach means that as the researcher receives immediate feedback upon participant understanding of the questions, appropriate minor modifications can be made to the instrument in the early stages of the research if necessary. However, as stated, validity was not compromised by this approach as the interviewer was situated away from the participant during the process and was deliberately non-directional where any discussion took place.

There are limitations associated with the Triangulation design (Creswell & Plano 2007; Yin 2011). These include the effort and resources required to undertake two methods, difficulty in comparing different data sets and the challenge of resolving discrepancies that may emerge between the data sets. These were not initially viewed as nor did they become obstacles in this study. The Triangulation Design-convergence model is therefore the appropriate choice given the context and research goals of this project. Having established this study’s research

methodology and design, the next section will examine the actual data collection process incorporating important elements such as survey design, sampling strategies and interviewing procedures.

## **4.4: Research process**

### **4.4.1: Introduction**

All research needs to be “based on an explicit set of evidence” (Yin 2011 p. 20) therefore data must be rigorously collected in a manner that reflects the specific research design selected. In this study data was concurrently collected via the most common mixed methods approach, incorporating a questionnaire in combination with an interview (Teddlie & Tashakkori 2009 p. 237). In this way the questionnaire delivered an effective method of attaining a large number of broad based responses whilst the interviews generated important supplementary data from the participants ensuring that there was no “loss of any fresh insights into the real-world events being studied” (Yin 2011 p. 95).

To undertake this concurrent data collection process the following steps were followed in this study;

1. Questionnaire development.
2. Ethics approval.
3. Questionnaire testing and enhancement.
4. Selection of an appropriate sample.
5. Interview co-ordination.
6. Concurrent administration of the questionnaire and semi-structured interviews.
7. Sourcing of additional survey responses.
8. Data management.

These discrete steps of the data collection process will now be examined but firstly the issue of research validity and reliability will be reviewed as it fundamentally transcends all aspects of the research process.



#### **4.4.2: Validity and reliability**

Despite needing to allow adequate room for “discovery” all research must be transparent, valid and reliable (Cooper & Emory 1995; Tashakkori & Teddlie 1998; Yin 2011). Therefore whenever research data is collected from respondents, irrespective of the instrument(s) utilised, we need to know how much trust we can place in the information collated. The criteria typically used to evaluate the credibility of research are the concepts of validity and reliability (Bryman & Bell 2011; Burns & Burns 2008). Moreover, as this project utilised a mixed methods design, both the quantitative and qualitative aspects must be considered independently as well as any validity issues relating to the combined approach itself (Creswell 2009; Teddlie & Tashakkori 2009).

#### **4.4.3: Reliability**

Reliability denotes “the consistency and stability of findings that enables findings to be replicated” (Burns & Burns 2008 p. 410) and is a particular issue for quantitative research (Bryman & Bell 2011). A survey is reliable if it delivers accuracy and stability with a minimum of error (Burns & Burns 2008; Cooper & Emory 1995; Nardi 2003). A questionnaire in effect must measure exactly what it purports to measure in a consistent and replicable manner. A method commonly used by researchers to test this internal consistency or reliability of quantitative research data, particularly where there are “multiple indicator measures” is Cronbach’s Alpha (Bryman & Bell 2011 pp. 158-159) which, with its specialised correlational formulas, is particularly useful for surveys with “multi-item scales at the interval level of measurement” (Cooper & Emory 1995 p. 155).

The concept of reliability can also be applied to qualitative research (Bryman & Bell 2011). Reliability in a qualitative sense can be enhanced by ensuring that consistency is achieved across the process and procedures of the study (Yin 2011), through attention to detail and consistency in transcription and coding (Creswell (2009)). As detailed below, the reliability of the qualitative data in this project was enhanced through its design and the execution of the research process.

#### **4.4.4: Validity**

For all research “the key quality control issue” relates to validity and valid research “collects and interprets data, so that the conclusions accurately reflect ... the real world ... studied”

(Yin 2011 p. 78). Validity therefore asks whether the research instrument actually measures what it purports to measure (Burns & Burns 2008; Nardi 2003). A research instrument may be reliable, but if it does not measure what is required or expected it lacks validity (Bryman & Bell 2011). Validity, particularly in quantitative research, can be a complex and at times controversial issue as the nature of reality and specifically the nature and meaning of the variables being considered comes into question (Burns & Burns 2008) resulting in unavoidable subjectivity and contextual elements that require the researcher's judgement (Cooper & Emory 1995).

However it is possible to identify a number of important types of validity specific to quantitative research that must be considered (Burns & Burns 2008; Bryman & Bell 2011; Nardi 2003) summarised as follows:

- Face validity; this represents a minimum requirement whereby individuals with relevant experience judge whether the concepts being measured are “prima facie” valid.
- Internal validity; relates to the issue of causality between the independent and dependent variables in a study and the degree to which any relationships can be determined correctly.
- Construct validity; considers whether the theoretical concept devised reflects what it is supposed to represent when measured via a research instrument or procedure.
- External validity; asks whether the findings of a study can be generalised to a broader population and finally,
- Ecological validity; questions whether the work, however technically valid, actually reflects the real world.

To accommodate these measures of validity a number of strategies were undertaken. Firstly, in seeking to achieve construct, external and internal validity the survey instrument, as detailed in section 4.6.3 later in this chapter, was specifically developed utilising a pre-validated instrument (Creswell 2009; Nardi 2003). Given that applicable instruments from the social enterprise research domain were not found, as suggested by scholars a suitable pre-validated instrument from an associated field was therefore utilised and amalgamated with

key themes and concepts identified in the social enterprise literature (Bryman & Bell 2011; Nardi 2003; Yin 2011).

Face validity and ecological validity were achieved via testing of the survey instrument. The completed instrument was reviewed and tested via academic colleagues and industry practitioners. Such a testing process is an important element of any study (Cooper & Emory 1995; Creswell 2009; Creswell & Plano 2007; Zikmund 2003). This process additionally provided indicative support to the presence of construct validity given that the testing process identified that the concepts inherent in the instrument were wholly acceptable to the academic and practitioner experts alike. In fact the process beneficially resulted in some additional open-ended questions relating to organisational type, profit orientation and the support provided to social enterprise by third parties including intermediaries, corporations and government. Furthermore, given the concurrent nature of the research design the instrument was also monitored for face validity during the project's initial stages with the respondents being specifically asked for feedback (Teddlie & Tashakkori 2009). The resultant feedback also corroborated the theoretical concepts and themes of the research as well as indicating that the instrument was in no way ambiguous.

Having addressed the validity of the study's quantitative instrument, given this project's mixed methods design it is important to also note the development of alternative approaches to validity for qualitative research (Bryman & Bell 2011; Yin 2011) as "validity does not carry the same connotations in qualitative research" as in qualitative work (Yin 2011 p. 190). In fact validity is viewed as one of the strengths of qualitative research (Creswell 2009).

Validity in qualitative research is less concerned with generalisability and more about accuracy of findings achieved via a variety of strategies (Yin 2011). An influential approach formulated by Guba and Lincoln (1994) suggests that trustworthiness and authenticity should be the primary criteria for assessing the validity of qualitative research with trustworthiness comprising four parts summarised as follows:

- **Credibility:** Qualitative research credibility is achieved through a variety of strategies that corroborate and support the study's findings such as respondent validation, triangulation and by ensuring the research follows good research practice (Bryman & Bell 2011; Creswell 2009; Yin 2011).

- **Transferability:** To aid the transferability or generalisability of qualitative research findings scholars recommend that researchers produce depth and richness in their accounts of social activity (Bryman & Bell 2011; Creswell 2009; Yin 2011).
- **Dependability:** Similar to reliability in quantitative work, this is achieved when researchers develop and maintain detailed and complete records and journals relating to all aspects of the research process such as transcripts, coding and so on to allow peers to scrutinise and evaluate the work (Bryman & Bell 2011; Yin 2011).
- **Confirmability:** Finally the researcher must demonstrate that whilst “complete objectivity is impossible” (Bryman & Bell 2011 p. 398) all steps have been taken to minimise any researcher bias from the research and its findings (Patton 2002; Yin 2011).

Scholars thus recognise the importance of validity and reliability in research and advocate a range of strategies to achieve them for both the qualitative and quantitative elements of a research project (Bryman & Bell 2011; Teddlie & Tashakkori 2009). This study undertook a number of such measures, for example as mentioned above from a quantitative perspective the projects survey instrument was developed using previously validated instruments (Creswell 2009; Nardi 2003). Similarly from a qualitative viewpoint a range of strategies such as triangulation, multiple perspectives, self-reflection, a research journal, the collection of rich data and peer review were incorporated into the project (Creswell 2009; Yin 2011).

Finally, validity in the context of mixed methods research, must additionally be considered from an overall combined design perspective (Teddlie & Tashakkori 2009). The following table, adapted from Creswell and Plano (2007 p. 147) outlines some potential threats and mitigation strategies in relation to the validity of a concurrent triangulation design such as used in this study. Actual strategies utilised in this project are also identified.

**Table 4.4.4: Potential threats to validity of concurrent designs**  
(Adapted from Creswell & Plano 2007)

<b>Concurrent Triangulation Design</b>	<b>Threat minimisation strategies</b>	<b>Strategies used in this project</b>
<b>Data collection issues:</b>  Selecting different individuals for the qual and quant elements  Unequal sample sizes for the two elements  Contradictory results  Introducing potential bias during data collection	Draw both samples from the same population  Use large qualitative sample  Follow up and re-examine data  Use unobtrusive data collection procedures	Exactly same participants used for both elements  Large qual sample incorporated  Multiple perspectives captured and examined  Variety of strategies incorporated in both qual and quant (see below)
<b>Data analysis issues:</b>  Inadequate data transformation approaches  Inadequate approaches to converging the data  Not addressing validity issues  The two types of data not addressing the same issue	Keep transformation un- complicated  Develop matrix  Address issues in design and interpretation  Address questions with both types of data	Used traditional coding and theme counting procedure  Various strategies used (see Data analysis section)  Validity addressed throughout project  Both types of data address the research issues.

This section discussed the critical issue of research integrity. The concept of research reliability and validity was examined with specific attention given to their application in a mixed methods context such as this study. The next section will now address the important topic of the sampling before the chapter moves on to cover data collection.

## **4.5: Sampling**

### **4.5.1: Introduction**

To address the research questions a researcher must both determine the source of the necessary data as well as the appropriate number of participants needed to provide the information (Creswell & Plano 2007; Yin 2011). In other words the researcher must identify and source the optimum sample. This requires firstly determining the “unit of analysis” most

applicable to the topic of the study (Yin 2011) in terms of “people, groups, artefacts or settings” (Teddlie & Tashakkori 2009 p. 169).

#### **4.5.2: Unit of analysis**

As this research is focused upon the strategic and operational activities of social enterprise the “level of analysis” (Bryman & Bell 2011 p. 67) for this project was therefore situated at the firm level. Furthermore it was determined that the source of the necessary data within these enterprises was situated with specific key individuals in the organisations. Therefore founding entrepreneurs or key executives such as CEOs were singularly targeted as the data collection point within the sampled social enterprises.

The concurrent design of this research enabled data collection to be achieved through a single participant episode. This was both practical and efficient, suiting the requirements of the study and reflecting the approach taken in the majority of such triangulation projects (Creswell & Plano 2007). Indeed scholars suggest that in triangulation designs validity is enhanced when the same participants are used in both components of the research process (Creswell & Plano 2007; Yin 2011) as was done in this study. Having defined the most suitable data collection point within the appropriate unit of analysis for the project, the next step was to identify the optimum sample for this research.

#### **4.5.3: Sampling methods**

A sampling strategy aims to provide a sample that will best answer the research questions with the maximum degree of generalisability (Teddlie & Tashakkori 2009). With a mixed methods approach the researcher faces the “classic methodological trade- off” (Teddlie & Tashakkori 2009 p. 179) in terms of sampling between conflicting quantitative and qualitative prerogatives. Whereas in quantitative work a sample is selected to generalise about a population and is typically randomly selected and large (Bryman & Bell 2011; Creswell & Plano 2007; Tabachnick & Fidell 2007) in qualitative research the sample is more intentionally selected, smaller and less generalisable and more contextual seeking breadth and depth of information and perspective (Bryman & Bell 2011; Creswell & Plano 2007; Yin 2011).

The following criteria should therefore be considered by the researcher to select the most appropriate strategy in any given mixed methods framework (Creswell & Plano 2007) namely:

1. The relative dominance of qualitative or quantitative data requirements.
2. The trade-off between breadth and depth of data.
3. The level of external validity/generalisability sought.
4. Practicality.

Therefore when considering the optimum sampling strategy for this study it was necessary to consider the nature of the field under investigation, the resources available and the research questions being addressed. Indeed sample size is an issue for social enterprise researchers (Short et al. 2009) for, as previously identified, the domain of social enterprise is an embryonic, ill-defined field yet to be conclusively “mapped”, making identification of social enterprises difficult (Barraket et al. 2010; Lyon et al. 2010) presenting obvious sampling challenges discussed in more detail below. Furthermore, the research questions in this study, being exploratory in nature, require depth and range of perspective encompassing the spectrum of social enterprise organisational types, to be fully addressed. Therefore from both practical and theoretical perspectives this research needed to adopt a non-probability approach to sampling, whereby the sample is not selected randomly but rather in a deliberate manner (Burns & Burns 2008; Nardi 2003) that both meets the needs of the research problem and fundamentally recognises the practicalities of a project within the social enterprise domain.

There are a number of non-probability sampling methods available and a combination of “purposive” and “snowball” sampling was selected for this project (Yin 2011). Indeed sampling techniques are often combined where a study’s complexities or context demands it (Burns & Burns 2008; Teddlie & Tashakkori 2009). These strategies are now reviewed individually. Firstly purposive sampling, where a researcher “intentionally selects participants who have experience with the central phenomenon” (Creswell & Plano 2007 p. 112) was selected. This approach not only recognises the realities of sampling an emergent field but, by allowing the selection of representative sample units, enables the study to specifically address the issues related to the research questions (Teddlie & Tashakkori 2009). Purposive sampling enabled the strategic sourcing of “information rich” participants (Curtis & Curtis 2011; Patton 2002; Yin 2011) complementary to inductive, theory-building research (Eisenhardt & Graebner 2007).

The purposive sampling variant known as maximal variation or stratified sampling (Creswell & Plano 2007; Teddlie & Tashakkori 2009) was adopted. This approach specifically seeks to ensure that both a range and breadth of respondents are selected possessing a cross-section of views and perspectives critical to the exploratory analysis of an emergent, value-laden field such as social enterprise, representing both a pragmatic and theoretically valid sampling strategy for this project. At the same time this variant reduces the likelihood of bias from respondents being chosen too narrowly or specifically to confirm any preconception of the researcher (Creswell 2009) as by ‘using numerous and highly knowledgeable informants who view the focal phenomenon from diverse perspectives’ both a richness of perspective as well as bias mitigation is achieved (Eisenhardt & Graebner 2007 p. 28).

Given the recognised challenges in terms of identifying large numbers of social enterprises (Barraket et al. 2010; Lyon et al. 2010) it was necessary to utilise the additional sampling method termed “snowballing” as a means to identify suitable participants. Snowballing, or the collection of additional informants “as an offshoot of existing ones” is “acceptable if the snowballing” is itself “purposeful and not done out of convenience” (Yin 2011 p. 89). This technique was particularly effective in this project as it leveraged the networks of both the researcher and the study participants, connecting the researcher directly with additional contacts from within the field and enabling access to sufficient numbers of appropriately experienced respondents.

#### **4.5.4: Sample size**

Having identified the overall sampling strategy, focus was drawn to the question of sample size. This typically presents issues for the researcher given that mixed methods research combines two very different fundamental research approaches that often require different sample sizes (Teddlie & Tashakkori 2009). Whereas in quantitative studies the process of sampling is more formalised and a sample must be of sufficient size to allow credible findings to be drawn from the project, qualitative research typically requires a much smaller sample (Creswell & Plano 2007; Eisenhardt & Graebner 2007) and typically “there are no rules for sample size” in qualitative research (Patton 2002 p. 244). Moreover in a mixed methods design there is the additional question of whether the sample size should be the same for both the quantitative and qualitative aspects of the data collection (Teddlie & Tashakkori 2009). Therefore, in determining the sample size for this project several factors were seen as influencing the decision, namely limited researcher access to the target group, the exploratory nature of the study and the concurrent data collection approach selected with the added



dimension given the concurrent design of this study, that to minimise potential validity issues, the qualitative sample size should be large (Creswell & Plano 2007).

On this basis a sample size of 50 interviews was targeted to achieve a sufficient depth and breadth of qualitative data to enable the exploratory analysis required by the study given its focus on addressing the spectrum of social enterprise organisations. Methodologists in fact identify guidelines of minimum sample sizes for interview-based research at between 20-50 interviews (Teddlie & Tashakkori 2009 p. 184). The large sample size therefore reflects the context of the research, and the nature of the research design of this study as well as recognising that in terms of respondents a “larger number can create greater confidence” in research findings (Yin 2011 p. 89).

It was further recognised that in terms of the qualitative data the saturation principle would also guide the sample size (Glaser & Strauss 1967). Saturation in purposive sampling research such as this study is achieved when “the addition of more units does not result in new information ...” for the researcher (Curtis & Curtis 2011; Teddlie & Tashakkori 2009 p. 183). Thus when the qualitative data was analysed following the initial stage of data collection it was clear that theoretical saturation (Curtis & Curtis 2011; Glaser & Strauss 1967) had been achieved and participant interviewing was no longer deemed essential, resulting in latter stage surveying being administered on-line.

The research used 93 survey respondents in total, including 50 concurrent interviews with all respondents. Having reviewed the projects sampling strategy the following sections now turn to detailing how the participants were accessed and the procedures surrounding the data acquisition process.

#### **4.5.5: Sample sourcing**

As noted the identification of social enterprise respondents presented challenges due to the emergent nature of the domain. Purposive and snowballing sampling strategies were therefore employed with a critical set of initial participants needed to be secured to enable snowballing to be effective. This was achieved in a number of ways. Firstly, relevant operatives were contacted within various intermediaries and government bodies. This was supplemented by the sourcing of contacts from recent industry-specific publications and reports. From this activity an initial impetus was established that enabled the researcher to supplement the growing sample via “snowballing” and continued networking activity.

Another sampling consideration was the geographic location of participants. Respondents were initially targeted regionally in South East Queensland but then extended across the Eastern States of Australia in order to provide a large enough potential “pool” of reasonably accessible and diverse Australian respondents. Furthermore, as a result of prior collaborative research activity by this project’s supervisor an opportunity arose to supplement the research sample with a group of social enterprises in Scotland. Indeed a benefit of purposive sampling is that it can lead to the emergence of new samples and research opportunities as the study progresses (Teddlie & Tashakkori 2009). Given not only the aforementioned difficulty in accessing social enterprises but moreover that Scotland can reputedly “lay claim to being the cradle of much of the social enterprise movement” (Roy et al. 2013 p. 1) with the UK in general seen to be “a global leader” in the emerging fields of social enterprise and social entrepreneurship (Shanmugalingam et al. 2011 p. 4) there lay clear benefit in pursuing this opportunity.

The Scottish opportunity therefore delivered several immediate benefits to the study. Firstly this strategy provided a number of participants in a resource-effective manner. Secondly it delivered a new stream of rich data to better address the research issues with the added potential of international comparative analysis in the findings as scholars have observed the need for more international comparative studies in the field (Short et al. 2009). Hence, this study was provided with additional comparative insights into specific key areas of investigation such as intermediary and governmental engagement with social enterprise.

Importantly the research process in Scotland fully replicated the project’s research methodology established in Australia. The sampling was therefore again purposeful within a pool of social enterprises sourced from industry and academic networks, thus delivering the requisite cross-section of respondents. Surveys and interviews were concurrently administered to the Scottish participants by the principal researcher over a seven day period with participants unable to be interviewed during this visit subsequently providing a survey response only at a later stage resulting in a total of 40 Scottish surveys overall.

Importantly it should be noted that the Scottish and Australian samples were viewed as possessing sufficient homogeneity to allow the merging and comparison of data to be reliably undertaken given appropriate recognition of the limitations of the subsequent findings. This is because all of the participant organisations, whether Australian or Scottish, meet the definition of a social enterprise used by this project as identified earlier in the study. Indeed

the definition developed by SENSCOT, the Scottish Government supported social enterprise development body to which all of the projects Scottish participants belong, closely parallels this study's definition. Furthermore, it is argued that there exists a considerable homogeneity between Australian and Scottish society in general. With extensive historic and cultural links the two countries have shared values, institutions and structures resulting in similarities across the socio-economic, political and cultural frameworks of the two countries that this research was able to utilise. Having discussed the ways in which the research sample was identified and accessed, the discussion now turns to the procedures used to collect, analyse and secure the data itself.

## **4.6: Data collection**

### **4.6.1: Introduction**

The data collection procedures of a study have significant impact upon research outcomes, not least in terms of the reliability and validity of the research findings (Bryman & Bell 2011). The proceeding section outlines the process and procedures surrounding the data collection associated with this study. Two methods were selected for this research: a survey instrument that, whilst predominantly collecting quantitative data, also included important open-ended questions to secure additional qualitative information and interviews to provide the project with its important qualitative data. These methods are now detailed, commencing with the survey instrument.

### **4.6.2: Survey instrument**

Surveying is a widely used and effective method for collecting data relating to behaviour, attitudes, beliefs, opinions, characteristics, expectations, self-classifications and knowledge (Neuman 2003). However although surveys are seen to be a convenient and efficient data collection approach with an embedded consistency of questions and honed responses they can be criticised for their lack of depth, understanding and context (Babbie 2005; Neuman 2003). An important element in achieving valid and reliable research data is through the development and administration of a well-constructed questionnaire (Nardi 2003). The following process was therefore pursued:

#### **4.6.3: Questionnaire design**

The first stage in developing a survey instrument requires its grounding in academic research from the extant literature (Nardi 2003). Therefore the important themes and concepts informing this study's survey were sourced from the extant literature as detailed in the literature review of this thesis. Next, pre-validated instruments previously used in similar or related work were sourced, as scholars advocate that questionnaires be adapted from existing validated instruments in associated fields wherever possible (Bryman & Bell 2011; Creswell & Plano 2007; Nardi 2003; Yin 2011). Indeed, as Nardi (2003 p. 49) suggests, survey integrity is often achieved by using "items previously written for other studies that .... have demonstrated validity and reliability".

Therefore as research failed to uncover applicable instruments from within the social enterprise research domain this study's survey was specifically developed by amalgamating a pre-validated instrument from an associated field with key themes and concepts identified in the social enterprise literature, specifically research into social enterprise "survivability" by Sharir et al. (2009). Studies from the associated field of small business were deemed appropriate as social enterprise is widely recognised as consisting predominantly of small businesses (Barraket et al. 2010; Villeneuve 2011). In fact, a specific survey instrument relating to research into the important networks in small business development (Brunetto & Farr-Wharton 2007) was selected, having particular accord with the goals of this study.

Finally the completed instrument was reviewed and tested as the testing process is an important element of any study and included feedback and testing via academic colleagues and industry practitioners in this instance (Cooper & Emory 1995; Creswell 2009; Creswell & Plano 2007; Zikmund 2003). This process resulted in some minor adaptations and notably the addition of some open-ended questions relating to organisational type, profit orientation and the support provided to social enterprise by third parties including intermediaries, corporations and government. Given the concurrent nature of the research design the instrument was furthermore monitored for face validity during the project's initial stages with the respondents being specifically asked for feedback on completion of the survey (Teddlie & Tashakkori 2009). This feedback in fact corroborated the theoretical concepts and themes of the research and indicated that the instrument was not in any way ambiguous.

The questions were specifically developed from the literature and pre-validated instrument as follows:

- Questions 1-19, and 39-69 were sourced and adapted from the pre-validated instrument (Brunetto & Farr-Wharton 2007).
- Questions 20-38, 70-75 were developed from the prior literature (Sharir & Lerner 2006).
- Several non-directional open-ended questions (77-82) were included as a result of feedback during preliminary testing to enhance the qualitative data.
- As detailed below in section 4.6.8, additional supplementary questions (76 and 20a-38a) were added as the project progressed to extend these original questions and further develop the research findings.

In summary a questionnaire that addressed the research issues was established and administered based upon pre-validated instruments, seminal literature and expert feedback. A copy of the survey is located in Appendix 1.

#### **4.6.4: Interviews**

The second method of data collection utilised in this study was interviews. A frequently used approach that beneficially gathers a depth and breadth of information on a topic (Fontana & Frey 2005), this method focuses upon and draws out an individual's experiences, views and perceptions to gain an in-depth understanding of a phenomenon (Punch 2005). This study incorporated a semi-structured approach to interviewing with limited but focused questions that provided the researcher with more control over the process (Creswell 2003). This method can be limited by the interviewing skills of the researcher and therefore the quality of responses obtained (Patton 2002) however given the researcher's extensive professional experience and strength of inter- personal skills this was not viewed as an issue in this project.

#### **4.6.5: Pre-interview process**

The first stage of the data collection process involved direct telephone contact with each participant by the researcher to confirm their willingness to participate in the research as outlined to them. A convenient appointment was established at this point identifying that a questionnaire and a subsequent interview would take place in the available time as it was deemed important to respect time constraints on research participants (Yin 2011). It was found that respondents were typically able to provide anything from 30 minutes to an hour and the meetings were therefore structured accordingly. Pre-testing of the survey instrument

had shown that the questionnaire generally required 20 minutes to undertake so a dedicated timeslot with the researcher present proved advantageous in ensuring that the questionnaire was completed as lengthy questionnaires often get overlooked even by well-intentioned recipients when not immediately completed. Furthermore the personal contact provided by the meetings also provided the opportunity to develop important relationships for the researcher with key sectoral individuals that could be beneficial in later stages of this and future research projects (Yin 2011).

#### **4.6.6: Combined survey and interview sessions**

In terms of the actual delivery of the questionnaire and interview a number of strategies were developed to ensure validity, reliability and the avoidance of bias and undue interviewer influence in the data. Firstly, a standard procedure or protocol was established and followed, including consistency of questions and note taking around key codes and themes (Bryman & Bell 2011; Creswell & Plano 2007; Yin 2011). Moreover, wherever possible the conditions under which the survey was administered were standardised, with clear instructions, adequate time available and freedom from distraction facilitated for the respondent (Burns & Burns 2008). Therefore the data collection process followed a controlled format that included an introduction and background discussion. Next the informed consent process was undertaken, followed by the questionnaire being independently completed by the respondent to avoid undue interviewer influence. Finally a “semi-structured” interview took place.

As detailed previously considerable planning, development and testing had gone into the formation of a valid and reliable questionnaire. The instrument was administered first in an independent, distraction-free manner, which both relaxed and focused the participant in preparation for the semi-structured interviews in which the perspectives and values of the participants were able to emerge (Bryman & Bell 2011; Yin 2011). Semi-structured interviews with their open-ended, informal and interactive approach deliver a depth and richness of data that leads to insights and thematic development (Aberdach & Rockman 2002; Eisenhardt 1989; Fontana & Frey 2005; Yin 2011). Thus the interviews were deliberately informal and “individualised” with the researcher being an active but “neutral” and “non-directive” participant to avoid undue influence and bias (Yin 2011 pp. 134-139). The questions were specifically based upon central themes developed from the literature (Miles & Huberman 1994; Richards 2009; Tashakkori & Teddlie 1998; Yin 2011) as “it is possible to take a theory-driven approach to interviews” in order to explore particular notions (Curtis & Curtis 2011 p. 43). This approach usefully ensured consistent and detailed analysis

of the key topics of the research without overloading the research with superfluous data (Miles & Huberman 1994; Yin 2011). Notes were taken in all interviews and transcribed as soon as possible thereafter including the addition of researcher comments and reflections to help build themes and anticipate future coding (Curtis & Curtis 2011; Saldana 2010; Yin 2011). Telling quotes from the participants were also recorded wherever appropriate so that they could be utilised to illustrate and amplify important findings (Creswell 2009; Saldana 2010) with participant anonymity protected by the use of a structured coding system as detailed in Chapter 5.

However interviewing is often “time-consuming” making considerable demands upon the participants (Curtis & Curtis 2011; Tashakkori & Teddlie 1998; Yin 2011). Therefore given that there was often a limited amount of participant time available for interview after the preliminary discussions and survey had been completed, the researcher chose not to record the interviews. This made the process easier and quicker to administer thus maximising the time available for semi-structured discussion. Indeed “many experienced researchers rely mainly on written notes” as recording can create “complications” that “outweigh the benefits” (Yin 2011 p. 171). Moreover as the interviews were focused upon key themes, summary notes are typically sufficient (Richards 2009) and recording was therefore deemed unnecessary, saving considerable time. This strategy also produced a less formal and more relaxed tone to the interview stage (Bryman & Bell 2011), and given that a lengthy questionnaire had already been administered, this low key relaxed approach resulted in better data being elicited from the respondents overall.

Finally, in terms of research integrity it was important to consider the potential issues of interviewer bias and influence in the interview process (Tashakkori & Teddlie 1998; Yin 2011). In attempting to alleviate this bias a large number of interviews were administered and participants were encouraged to provide rich or “thick descriptions” of key themes (Yin 2011 p. 12). Furthermore the interviews were administered in a consistent manner so that the impact of the personal views and opinions of the researcher upon the interviewee’s responses was minimised (Aberdach & Rockman 2002; Patton 2002; Yin 2011). It has also previously been noted that the interviewer ensured that they were separate from the participant during the survey completion process by exiting the immediate vicinity of the respondent for the duration of the survey completion process. Care was also required of the interviewer to identify possible bias in the data emanating from “retrospective sense making by image conscious informants” (Eisenhardt & Graebner 2007 p. 28). However the large number of

interviews and the nature of the research issues meant that such bias was unlikely to be a factor in this study.

#### **4.6.7: Survey only activity**

Forty-three out of the total of ninety-three surveys were sourced via email independent of an associated interview. This occurred for two main reasons. Firstly, a number of the participants were keen to participate but for various reasons unable to allocate time to undertake an interview and therefore completed the survey independently at a time of their convenience. Secondly, given that the research design target of 50 interviews was achieved this meant that in the later stages of the data collection process survey-only participants were therefore actively sought.

#### **4.6.8: Ancillary questions**

As the research project progressed it became apparent to the researcher that the findings would be enhanced by additional information relating to the question of cost recovery by social enterprises. The original survey asked the respondents a closed yes/no question in terms of whether their social enterprise recovered all costs. However this provided a historic perspective based upon prior performance and it was considered useful to supplement this data with a further insight into the respondent's actual intent towards cost recovery. Therefore an ancillary question was formulated to elicit this data, specifically asking the participant their orientation towards the recovery of costs and whether they in fact aspired to achieving more than full cost recovery. This ancillary question (question # 76 in Appendix 1), once formulated was initially tested upon a group of the original interviewees who universally acknowledged that they both understood the question itself and its relevance to the research. Following this the Australian interviewees were then telephoned by the researcher and provided their response to the ancillary cost recovery question. The question was also added to the survey document and administered to all subsequent survey-only respondents. This resulted in almost two-thirds or 66% of the total participants completing this ancillary question, providing an important additional perspective to the results of the research.

Given the success of this process it was decided to create several more ancillary questions that similarly elicited additional data relating to the importance as well as the experiences of the social enterprise leaders in areas of their organisational activities. These new questions therefore asked the respondent to additionally rate the importance of a range of factors to their enterprise. These factors included various funding streams, the support of government,



the enterprise's Board of Directors and intermediary support, as well as public awareness, planning, training and organisational expertise. The new questions (Questions 20a to 26a and 32a to 38a in Appendix 1), in accordance with similar questions in the original survey instrument, were designed with a 5-point Likert scale spanning "not important" to "extremely important". Although only administered to 15% of the overall sample these additional questions were deemed important to enable the researcher to source some indicative, complementary data in terms of some key aspects of the factors that influence the sustainability of social enterprises.

Having examined the procedures and key strategies of the data collection process the next section will identify important procedures employed in the analysis of the collected data.

## **4.7: Data analysis**

### **4.7.1: Introduction**

In a project such as this the data analysis process requires a series of sequential steps namely: preparing and editing the data ready for data entry, preliminary exploration and coding of the data and finally analysing, representing and validating the data as required (Cooper & Emory 1995; Creswell & Plano 2007). As the following table, illustrates the procedures involved in this process vary according to the quantitative and qualitative components of the research and in mixed methods projects, such as this study, a variety of procedures are therefore applied accordingly.

**Table 4.7.1: Procedures in quantitative and qualitative data analysis**  
(Adapted from Creswell & Plano 2007)

<i>Quantitative Procedures</i>	<i>General Procedures in Data Analysis</i>	<i>Qualitative Procedures</i>
<ul style="list-style-type: none"> <li>• Coding data by assigning numeric values</li> <li>• Cleaning the database</li> <li>• Recoding or computing new variables for computer analysis</li> <li>• Establishing codebook</li> </ul>	Preparing the data for analysis	<ul style="list-style-type: none"> <li>• Organizing documents and visual data</li> <li>• Transcribing text</li> <li>• Preparing the data for computer analysis</li> </ul>
<ul style="list-style-type: none"> <li>• Visually inspecting data</li> <li>• Conducting a descriptive analysis</li> <li>• Checking for trends and distributions</li> </ul>	Exploring the data	<ul style="list-style-type: none"> <li>• Reading through the data</li> <li>• Writing memos</li> <li>• Developing qualitative codebook</li> </ul>
<ul style="list-style-type: none"> <li>• Choosing an appropriate statistical test</li> <li>• Analyzing to answer research questions or test hypotheses</li> <li>• Reporting inferential tests, effect sizes, confidence intervals</li> <li>• Using quantitative statistical software programs</li> </ul>	Analyzing the data	<ul style="list-style-type: none"> <li>• Coding the data</li> <li>• Assigning labels to codes</li> <li>• Grouping codes into themes (or categories)</li> <li>• Interrelating themes (or categories) or abstracting to smaller set of themes</li> <li>• Using qualitative software programs</li> </ul>
<ul style="list-style-type: none"> <li>• Representing results in statements of results</li> <li>• Providing results in tables and figures</li> </ul>	Representing the data analysis	<ul style="list-style-type: none"> <li>• Representing findings in discussions of themes or categories</li> <li>• Presenting visual models, figures, tables</li> </ul>
<ul style="list-style-type: none"> <li>• Using external standards</li> <li>• Validating and checking the reliability of scores from past instrument use</li> <li>• Establishing validity and reliability of current data</li> </ul>	Validating the data	<ul style="list-style-type: none"> <li>• Using researcher, participant, and reviewer standards</li> <li>• Employing validation strategies (e.g., member checking, triangulation, peer review)</li> </ul>

This section will now review the data analysis steps and procedures as they relate to this research project with the quantitative and qualitative procedures discussed independently.

#### **4.7.2: Data preparation and data entry**

Having collected data the first task of analysis is to ensure that all the data is orderly, consistent and accurate (Yin 2011). This entails a process of cleaning or tidying up the data before, and to enable, analysis (Creswell & Plano 2007; Punch 2005). In this study both the quantitative and qualitative data needed to be addressed independently. In terms of the

quantitative data this involved coding the variables by assigning numeric values to each response category enabling the survey data to be entered into a statistical computer program such as the Statistical Package for Social Sciences (SPSS) selected for this study (Allen & Bennett 2010; Creswell & Plano 2007; Manning & Munro 2007). This process entails the production of a survey codebook that not only details the codes but identifies all questionnaire items and names all variables and serves to both aid data entry and acts as an important reference for future use of the data. It further involves the computing of any new multi-item variables as required (Creswell & Plano 2007; Nardi 2003). Once data entry was complete the data was further checked for errors and missing data. Illustrating the strength of the research design, these were found to be minimal and not deemed of significance to the results of the project and as such no corrective action was required.

Conversely with the qualitative data, preparation involved the transcription of the interview notes for analysis. This created an organised platform for the researcher to review the qualitative data and also efficiently enter it into a qualitative data analysis software program if required (Creswell & Plano 2007). Whereas in quantitative work it goes without question that software tools such as SPSS will be utilised by the researcher, with qualitative research scholars suggest that despite the obvious benefits in terms of data management it is not essential and that the decision will depend upon the context of the study (Richards 2009; Saldana 2010; Yin 2011). Indeed it is suggested that for smaller, independent projects manual coding is not only acceptable but also preferable, with the decision left to the discretion of the researcher (Richards 2009; Saldana 2010; Yin 2011). In fact Saldana recommends that it is generally better for the new researcher to focus their mental energies on the data rather than learning new software, suggesting that the manual approach gives the researcher additional “control over and ownership” of the data (2010 p. 22). For though the software may deliver benefits in terms of storing, organising and configuring the data it does not actually code the data, which is the sole “responsibility of the researcher” (Saldana 2010 p. 22).

Hence a manual process was selected in order to gain an important “feel” for the data and ensure maximum opportunity for the “analytic reflection” described by Saldana as the essence of good research (Saldana 2010 p. 22). Indeed both the transcription and exploratory stages are an important opportunity to re-read and reflect upon the data and make “analytic memos” or notes that assist in the ongoing qualitative data analysis (Saldana 2010 p. 32; Yin 2011). These memos are often an important element in developing the study’s qualitative

codebook (Creswell & Plano 2007). This important practice was pursued in this study, being particularly influential in the development of the fundamental codes, patterns, themes and concepts that enable theory development (Saldana 2010). By investing time and effort in these formative stages the researcher developed an important feel for emerging patterns, themes and concepts in the data that provided the basis for the important findings discussed later in this thesis.

#### **4.7.2.1: Participant coding**

Finally, during the data collection and preparation stages all participants were allocated a unique sequential identification code number. This not only aided in aspects of the data analysis but also importantly enabled these unique codes to be used to anonymously reference insightful participant quotes in the qualitative data findings. Moreover, to provide added nuance, and as will be seen in Chapter 5, each quote was further coded so as to identify the country location of the participant's social enterprise (either Australia or Scotland) as well as the type of organisational structure selected by the participant for their enterprise such as Not-for-Profit or For-Profit for example (as detailed in section 5.3.3.1 in the next chapter). For example, (#61/Scot/NFP) means participant number 61, that was from the Scottish sample and reported operating a Not-for-Profit social enterprise whereas ( # 25/Aus/ For-Profit) represents participant number 5 that reported having a For-Profit social enterprise and was an Australian respondent.

#### **4.7.3: Analysing the data**

As a mixed methods study incorporating a concurrent Triangulation Design both the qualitative and quantitative data needed to be analysed independently using methods appropriate to each type of data. Once done, the two sets of data are merged in an interpretation stage allowing the researcher to address the research questions posed in their study (Creswell & Plano 2007). This section will sequentially discuss the data analysis process, firstly detailing the coding and process of theme development associated with the qualitative data followed by the quantitative data analysis before the final integration and convergence stage of this design is described.

#### **4.7.4: Qualitative data analysis – coding**

Qualitative data analysis starts with the coding of the data. A code in qualitative research is typically a word or phrase that captures “a datum's primary content and essence” (Saldana

2010 p. 3) and represents “a core feature” of qualitative data analysis (Creswell & Plano 2007 p. 132). Coding not only organises data into topics but is a means of generating ideas representing the first step of a purposeful, exploratory process for the researcher (Richards 2009). It generates central themes and dimensions in the data that when clustered together in emergent patterns “facilitate the development of categories and thus the analysis of their connections” (Richards 2009; Saldana 2010 p. 8). The coding process in this study commenced during the data collection process as coding is often undertaken both during and after data collection and is an inherent component of the analytical process (Miles & Huberman 1994).

Hence the note taking process in the interviews represented an early and important stage of coding development as coding is a cyclical process, starting during data collection and then usually going through several iterations which progressively filter and focus the data producing salient categories and themes (Saldana 2010). Qualitative research requires concerted attention to and reflection upon the language and patterns elicited from participants and therefore rarely will one stage of coding be sufficient (Saldana 2010). Indeed formative thematic codes started to emerge in this study during the literature review process and these were then reinforced during the interviewing process as the researcher focused upon “the most salient” data (Saldana 2010 p. 15).

Indeed the coding process invariably involves a subjective component on the part of the researcher, as “coding is a judgment call” (Sipe & Ghiso 2004 p. 482-3 in Saldana 2010). Therefore the researcher will use their own intuition and “feel” as well as reasoning when determining how to group the data (Saldana 2010) and in deciding what should be coded. As codes became patterns the researcher in this study placed them into categories that were further developed into themes and concepts, a process Saldana calls “code weaving” (2010 p. 36). Opinions differ on how many codes and themes should be developed and although there is no “magic number” most scholars suggest that it is best to keep coding to a minimum to achieve coherence and to be parsimonious (Saldana 2010 p. 21). As such, this study followed Creswell’s (2009) recommendation that coding often initially creates 25-30 categories that are then further condensed to no more than 5-6 major themes.

Therefore as a fundamental aspect of qualitative research the selection of the coding method to be employed in a given project is an important decision. As each research project is unique there is no one best coding method and often a mix of methods is optimal with selection

depending upon the goals and nature of the research (Patton 2002; Saldana 2010). Therefore the coding strategy selected for this study was chosen to provide adequate codes, categories and analytical pathways to deliver patterns and themes to address the study's research questions (Saldana 2010). On this basis the project utilised three strategically chosen coding methods. Initially Descriptive or Topic coding (Richards 2009; Saldana 2010) was used in what Yin refers to as "Level 1" coding (2011 p. 188), a preliminary stage that simply summarises in a word or a short phrase a topic that a participant identifies. Appropriate "for virtually all qualitative studies" (Saldana 2010 p. 70) Descriptive coding is particularly useful when a study involves interviews as it categorises the data at a basic level, organising it for analysis and second cycle methods such as Pattern coding often used in mixed-methods research such as this study (Saldana 2010).

The second stage coding applied in this project was Pattern Coding. The goal of second stage coding is to reorganise, reanalyse and synthesise the data further to create a smaller set of coherent categories, themes or concepts, clustering the initial codes to attribute better meaning to the grouped data (Miles & Huberman 1994; Saldana 2010). Pattern coding can thus identify important themes that form theoretical constructs useful in thematic analysis (Auberach & Silverstein 2003). However, second stage coding makes demands upon the researcher requiring interpretation and the creation of new perspectives (Saldana 2010). Termed "analytical coding" by Richards (2009) it requires thoughtful and measured interrogation of the accumulated information and in the context of this study resulted in identifying the key themes explored in detail later in this thesis.

Indeed these themes were extracted from the data by further applying a third approach termed Magnitude coding to the patterned data. A technique often used in combination with Pattern Coding (Saldana 2010), Magnitude coding identifies the frequency of codes appearing in the data to indicate their "intensity, frequency ... presence" (Saldana 2010 p. 58). This assists in both detecting and confirming emergent patterns adding "statistical texture to qualitative data" and can "assist with mixed methods or quantitative studies" (Saldana 2010 p. 55), hence its application in this study.

This three-stage coding approach was used consistently across all of the accumulated qualitative data in this project. It was applied to both the interview as well as the qualitative data secured from the open-ended questions in the survey producing the study's key themes and representing an important component of the theoretical findings of this study.

#### **4.7.5: Quantitative data analysis**

Scholars suggest that the first stage of the quantitative analysis is to explore all the data and get a preliminary feel and understanding of the information (Creswell & Plano 2007). In fact with exploratory research such as this study, the data guides the analysis and is “problem orientated rather than tool driven” enabling the researcher to be flexible in their response to patterns that emerge in the data (Cooper & Emory 1995 p. 393). Hence the researcher undertook successive unstructured reviews of the quantitative data over the course of the project in a process of discovery that sought “to sift the unpredictable from the predictable” (Cooper & Emory 1995 p. 393).

The primary aim of the quantitative survey was to gather and benchmark mean-score data to assess the prior knowledge, growth aspirations, operational environment, organisation, processes, relationships and networks associated with the social enterprises participating in this study. Hence the quantitative analysis focused predominantly upon applying a range of descriptive statistics to analyse the data utilising the SPSS software package (Allen & Bennett 2010; Manning & Munro 2007). The scales incorporated in this research were obtained from previously validated survey instruments with the majority of variables measured using 5 item Likert scales developed by Brunetto and Farr-Wharton (2007). However Q 12 used a 3-item scale again developed by Brunetto and Farr-Wharton (2007).

A number of dichotomous questions (Q 20 to 26 and Q 32 to 38) relating to issues such as government support, enterprise resourcing, public awareness and various organisational capabilities were also developed for this survey utilising prior research as detailed previously. Furthermore in the later stages of the data collection process to extend this set of yes/no survey questions an additional 5-point Likert scale, ranging from not-important to extremely important, was established and applied to the final fourteen respondents only. This action sought to source additional insight into the relative importance of these issues to the participants rather than a simple dichotomous response. This data, whilst potentially indicative, is therefore un-validated and as such is recognised as having limitations in its generalisability.

In addition to this the survey applied two previously validated psychometric measures (Brunetto & Farr-Wharton 2007), both incorporating a Likert 1-5 scale, relating to Trust in Networks (Q 45-54) and Experience of Networks (Q 61-69). Overall statistical analysis of the data to access its consistency using Cronbach’s Alpha (Bryman and Bell 2011; Cooper &

Emory 1995) revealed an unacceptable level of reliability indicating that the sample size was inadequate to produce a statistically valid regression model (Hair et al. 2010; Tabachnick & Fidell 2007). However, despite this a correlation was conducted to explore the role of trust on social enterprise growth, the results of which are examined in the quantitative results chapter of this thesis.

Thus an extensive amount of descriptive statistical information was accumulated in this project together with a limited but highly targeted amount of correlational analysis, the key elements of which are detailed in the quantitative results chapter later in this thesis. These results both enabled the important triangulation of data and resultant validation sought by the project's research design as well as uncovered important insights into the activities of the participants as well as significant comparative perspectives that helped define the study's overall findings and contribution.

#### **4.7.6: Data convergence**

The final stage of a concurrent triangulation mixed methods research requires the merging or convergence of the two sets of data that have been separately analysed. This can be achieved by a process of transforming data (from qualitative to quantitative by reducing themes or codes to numeric data) as well as making comparisons “of the qualitative and quantitative data through a matrix or discussion” (Creswell & Plano 2007 p. 140). Both approaches are “frequently” applied by researchers (Creswell & Plano 2007) and usefully applied in this study with the merging and triangulating of the data being particularly important in the development of the ideas and arguments developed by this study and detailed in the ensuing chapters of this thesis.

Finally, as noted earlier, a problem may arise at the convergence stage in mixed methods projects where the quantitative sample size is much larger than the qualitative group resulting in “an unbalanced analysis of participant views” (Creswell & Plano 2007 p. 139). However this study alleviated this issue by securing a large qualitative sample that is similar in size to the quantitative one.

#### **4.8: Data security**

Having collected the data there are a number of steps required of the researcher to ensure that the data is secure and well organised in preparation for analysis (Yin 2011). As a final



element of the collection process in this project the following steps were undertaken to ensure that the data collected was secure:

1. All surveys and interview notes were copied for data security purposes and stored in a secure environment.
2. All confidentiality / permission documents were copied and stored.
3. Contact details for all respondents maintained.
4. All hard data and consent forms and respondent information accumulated for this study were then maintained in a secure office environment and the soft data similarly securely maintained and regularly backed up on separate hard drives as well as the University computer systems with secure password protection.

Having discussed data security the final section of this chapter will now examine the issue of ethical integrity in this research.

#### **4.9: Research ethics**

Ethics fundamentally influence and establish norms of behaviour in society and as research generally involves human and social relationships ethical considerations are therefore unavoidable. Indeed as Yin (2011 p. 38) states a researcher needs “to bring a strong sense of ethics” to all research. Therefore in any research project it is integral that all attempts are made to respect and protect the rights of the participants and it is singularly the researchers responsibility to ensure that this occurs (Bryman & Bell 2011; Burns & Burns 2008). Not only is it essential to observe rights such as ensuring informed voluntary consent, respondent confidentiality and protection of privacy (Bryman & Bell 2011; Burns & Burns 2008; Cooper & Emory 1995) but there is a broader social obligation upon the researcher as well (Cooper & Emory 1995) requiring the research to be objective and as rigorous and unbiased as possible with the research results being fully reported (Burns & Burns 2008; Yin 2011).

Thus during the formative stages of this study and prior to any participant contact an application was undertaken to the ethics committee at the University of the Sunshine Coast for authority to undertake the planned study. As a universities’ ethics committee plays a crucial role in any research process ensuring that the rights of all parties: participant, researcher and the university itself are protected (Bryman & Bell 2011). Therefore the ensuing approval and the commitment to follow the University’s rigorous code of conduct

delivered this research project its ethical framework. An important element of this framework is the obligatory Research information sheet (see Appendix 2) and Consent Form (see Appendix 3). These forms were completed by each participant undertaking a face-to-face interview with the researcher. In instances where the respondents agreed to undertake the survey on-line no consent form was necessary as the act of completing and returning the survey is deemed an act of acceptance to participate in the study by the University's ethics committee. The key elements of this study's ethical process are now briefly reviewed.

Prior to all interviews the appropriate formal permissions were secured from the respective respondents before conducting the actual research procedures (Bryman & Bell 2011; Creswell & Plano 2007). As all respondents in this study were either a founder or the head of the enterprise under consideration this therefore "ipso facto" ensured that the appropriate organisational permission had been obtained. Furthermore the researcher ensured that all respondents gave their permission to participate and provided it on the basis of a clear explanation of the purpose of the research and a commitment to their complete anonymity (Cooper & Emory 1995). This was undertaken prior to the commencement of all interviews with the presentation of the consent documentation and research outline and the prerequisite signing of such by the participant.

#### **4.10: Summary**

This chapter started by identifying and justifying the fundamental philosophical paradigm of pragmatism that underpins this research project. Next, an explanation of how this worldview informed the selection of the project's research methodology, namely a mixed methods approach ensued including a justification of the method and the specific Triangulation design selected. This design was then examined in detail and shown to align with the context and research objectives of this project.

Further discussion then outlined important strategic decisions taken through the research process including that of instrument development and data collection with an emphasis upon critical issues such as validity, reliability and sampling. Next, the data collection procedures were reviewed before the project's data analysis processes, data security and ethical dimensions were considered.

Therefore having selected the appropriate methodology and research design and collected and secured the research data the next stage of the project was undertaken, that of data analysis. The findings are covered in the following chapters.

## CHAPTER 5: QUALITATIVE RESULTS

### 5.0: Introduction

This chapter details the analysis of the qualitative data generated by this research. To recall, as part of this exploratory study qualitative data was secured in two ways; via semi-structured interviews and through a selection of open-ended questions embedded in the projects survey instrument (Appendix 1). The qualitative data in this research was examined using several coding procedures previously detailed in Chapter 4 in a sequential process that transformed the information into emergent themes (Saldana 2010). This coding process was applied similarly across all the qualitative data thus delivering consistency to the results and enabling their subsequent comparison and interpretation within the thesis. As a result, a range of dominant themes and key findings were identified with respect to the central research issue and its associated research questions and are detailed in the proceeding chapter.

To augment and expand these thematic results, direct quotes were extracted from the interview data adding descriptive value to the analysis (Saldana 2010; Yin 2011). The statements were selected so as to both emphasise and be representative of the sentiments reported by the participants. Useful multiple respondent quotes were sourced to gain maximum insights and nuance and to achieve greater validity for the overall resultant findings. These quotes are identified by the unique participant number established during the data collection and preparation stages as identified in Chapter 4. To provide further nuance and insight each quote further identifies the country within which the venture operates as well as the type of organisational structure selected by the participant for their enterprise (as detailed in section 5.3.3.1 later in this chapter).

### 5.1: Dominant themes – Research Question 1 (PRQ1)

The chapter proceeds by addressing the study's research questions by presenting and analysing the significant results from the project's qualitative data, commencing with the project's central research issue PRQ1:

*PRQ1: "What are the important factors in the development of sustainable social enterprises?"*

The qualitative coding process applied to this data identified five dominant themes. These themes captured the key factors that facilitate the sustainability of social enterprises as recognised by the participants of this study. Four of these dominant themes were anticipated by prior research (Sharir et al. 2009) namely:

- Networks, relationships and collaboration;
- Organisational capabilities;
- Organisational resourcing;
- Venture legitimacy.

However significantly, the dominant factor in the development of sustainable social enterprises as identified by the social enterprise leaders of this study is a commercially focused growth orientation. These results are detailed in Table 5.1 below, together with respective frequencies and relative percentages as a proportion of the overall number of codes identified by the group. Also included is an indication of the strength of the study's emergent themes in relation to the literature.

**Table 5.1: Summary of dominant themes from the interview data**

	Australian N=30	Scottish N=20	Total N=50	Prevalence of Theme in the Literature
Commercial/ Growth Orientation	68 (31%)	60 (33%)	128 (32%)	<b>LOW</b>
Networks/Relationships Collaboration	57 (26%)	27 (15%)	84 (21 %)	<b>STRONG</b>
Organisational Capabilities	31 (14.5%)	45 (24.5%)	76 (19 %)	<b>MODERATE</b>
Resourcing	29 (13.5%)	33 (18 %)	62 (15.5%)	<b>STRONG</b>
Legitimacy	33 (15%)	17 (9.5%)	50 (12.5%)	<b>MODERATE TO STRONG</b>
TOTAL # topics	218 (100%)	182 (100%)	400 (100%)	

A review of each dominant theme and the important composite sub-themes follows as they relate to the central research question (PRQ1) supported by the inclusion of representative

and pertinent direct quotes from the interview data as well as the inclusion of the appropriate open-ended question results.

### **5.1.1: Dominant Theme # 1: A commercially focused growth orientation**

The most dominant theme to emerge from the qualitative data in relation to the key factors that facilitate social enterprise sustainability was an inherent commercially focused growth orientation. Despite limited attention in the literature, this theme comprised 32% of the overall topics identified in the interviews. As illustrated by the comments that follow the participants conveyed an overriding sense of the inter-relatedness between a traditional commercially focused growth orientation and sustainability for their social enterprises. Significantly, this view was found to be consistent across the range of social enterprises that comprise this study and is summarised in the following key finding:

#### ***Research finding # 1***

*A commercially focused growth orientation is a major factor in the sustainability of social ventures.*

### **5.1.2: Commercially focused growth orientation sub-themes**

The dominant commercially focused growth orientation theme comprised two significant sub-themes as detailed in the following table.

**Table 5.1.2: Commercially focused growth orientation sub-themes**

	Australia N=30	Scotland N=20	Total N=50
Growth orientation: growth/ diversification/ business development/ innovative entrepreneurial activity	32(44.5 %)	36(64%)	68(53%)
Commercial orientation: commercial and business focus/ profitability/ Financial sustainability	40 (55.5%)	20 (36%)	60 (47%)
Total # topics	72 (100%)	56 (100%)	128 (100%)

The “growth orientation” and “commercial orientation” sub-themes that comprise this overall dominant theme are examined individually below with illustrative participant quotes providing complementary evidence of the strength of these sub-themes in relation to the research issue. Furthermore, the organisational structure of the social enterprise associated with these quotes is identified in order to demonstrate that these key themes are representative across the range of social enterprise organisational types.

#### **5.1.2.1: Growth orientation sub-theme**

An organisational growth orientation was the dominant issue identified by the social enterprise leaders in this study as being a key factor in the sustainability of their social enterprises. This sub-theme comprised several main strands that are individually illustrated with respondent quotes from the range of social enterprise types. Organisational growth was regularly mentioned by the respondents as being associated with enterprise sustainability, often discussed in association with commercial activities and profitability. The following participant comments illustrate this point:

- “Growth is critical to social enterprise sustainability” is how one Australian social entrepreneur succinctly expressed this view (#28/Aus/For-Profit).
- “It’s fundamental ... if you don’t grow you are dead ...” (#71/ Scot/ For-Profit) declared a Scottish entrepreneur.
- “... profit all goes back into growth and development” (#27/Aus/ NFP) stated an experienced Australian social entrepreneur.
- “We re-invest profit in growth” noted another Australian social enterprise leader (#34/Aus /NFP).
- “Profit delivers growth and sustainability” is how a Scottish social entrepreneur summarised this core perspective (#71/Scot/For-Profit).

**Thus the data supports key finding #1, that contemporary social enterprises of all types perceive an inherent commercially based growth orientation to be an important factor in their ability to achieve organisational sustainability.**

#### **5.1.2.2: Diversification**

An important aspect of the growth orientation theme, expressed by a number of experienced social enterprise leaders, identified that organisational growth was achieved through

diversification. This strategy was seen as delivering multiple streams of income by the respondents and thus providing enhanced commercial protection to their social enterprises from cyclical or market forces and/or the loss of public funding streams and was particularly apparent amongst the Scottish respondents. As one experienced social entrepreneur from Scotland concisely declared:

- “Diversity is important ... it allows you to weather any storm” (#58/Scot/Mixed).

Or as another Scottish social entrepreneur explained, their organisation had consciously developed a range of services:

- “... to help us survive through market cycles” (# 74/Scot/For-Profit).

Many tangible examples of growth through diversification were apparent in the interview data. A Scottish NFP recycling enterprise (#57/Scot/For-Profit) reported trialling new technology from Australia to diversify their operations whilst another Scottish NFP recycler (#72/Scot/NFP) had started a variety of new lines of business activity including a traditional skip hire venture to create additional income streams due to the loss of its grant funding. Another venture (#67/Scot/NFP) had diversified by purchasing a controlling stake in an associated local tourism business specifically to be more sustainable by “building capacity”. An established and highly successful Scottish operation (#69/Scot/Mixed) told of their growth through diversifying into a wide range of inter-related services as part of a declared goal of “expansion and diversification”. Though not as prevalent amongst the Australian participants, one growth orientated NFP disability services provider (#27/Aus/NFP) spoke of developing an “incubator model” specifically designed to nurture new, diversified business ideas. Another Australian for-profits social enterprise identified having started a regional Festival event (#15/Aus/Mixed) as a means of diversifying and expanding the business.

A specific diversification strategy identified by several respondents was the commercial leveraging of an asset base by a social enterprise into new trading opportunities. Several respondents articulated strategies aimed at securing the future sustainability of their social venture that specifically connected a physical asset with access to ongoing resources through the generation of multiple revenue streams. An example of this strategy was an Australian community organisation that reported generating a commercial trading operation by reconditioning a dormant commercial kitchen facility (#36/Aus/NFP). A long-standing Scottish NFP social enterprise had, in a similar vein, been able to develop an integrated range of commercial catering activities to augment and leverage its property asset (#75/Scot/NFP).



Finally, capturing the essence of social enterprise growth strategies through asset based diversification was the comment from the CEO of a highly successful Scottish social enterprise. This participant described how the strategic acquisition and renovation of a property proved to be the catalyst for the development of a multi-faceted social business stating:

- “The acquisition of the building ...” provided “... leverage for future growth” (#61/Scot/NFP).

**Thus the results support the notion that business diversification was viewed as a key element of a targeted growth orientation amongst the cross-section of participants in this study leading to the following key finding:**

#### ***Research finding # 2***

***Diversification, via the addition of new services or by leveraging a physical asset, is a growth strategy utilised by social enterprises to achieve organisational sustainability.***

#### **5.1.2.3: Business development and an innovative entrepreneurial orientation**

A related concept within this sub-theme was the importance of business development activity as a factor of enterprise sustainability. The following participant comments reflect this view:

- “We are very new business focussed ... and have a dedicated Director of Business Development” observed a successful Scottish social enterprise leader emphatically (#55/Scot/NFP).

Similarly an Australian social entrepreneur detailed how they had recently engaged:

- “... a full time new business development guy” (#12/Aus/NFP).

Another Australian social entrepreneur specifically emphasised that as part of their growth strategy that they were:

- “Very active in new business development” (#15/Aus/For-Profit).

This business development theme was often associated with innovative or entrepreneurial activity as the following comments illustrate:

- “Innovation is key ... both in the commercial and social sense” emphasised one Australian social entrepreneur (#28/Aus /For-Profit).
- “We are in a constant flux of change ...” stated a high profile Scottish social enterprise leader and “we take measured risks all the time” (#55/Scot/NFP).

Organisational sustainability comes from “having an eye for ... new ideas and new business opportunities” observed the CEO of a Scottish community enterprise (#73/Scot/ NFP) leading to the next key finding:

### ***Research finding # 3***

***Innovative, entrepreneurial business development activity is a factor in the sustainability of social enterprises.***

#### **5.1.2.4: Opportunity recognition**

The survey also sourced additional qualitative data associated with social enterprise opportunity recognition as the participants were asked the following open-ended question:

*“How did you identify the need addressed by the enterprise?”*

Table 5.1.2.4 summarises the coded results to this question. Three discrete categories of opportunity recognition were reported by the social enterprise leaders in this study.

**Table 5.1.2.4: Opportunity recognition**

	Australia N=53	Scotland N=40	Total N=93
Experience and prior knowledge	24(43%)	17(38.5%)	41 (41%)
Community connections and networks	12(21.5%)	9(20.5%)	21(21%)
Research	12(21.5%)	7(16%)	19(19%)
No answer provided or not applicable	8 (14%)	11(25%)	19(19%)
Total	56	44	100

(Note: Some respondents provided multiple reasons.)

**Participants reported experience and prior knowledge to be the most common way that the opportunity for their enterprise was identified although networks and research also figured strongly.**

However, a significant proportion of the respondents (19%) did not answer or stated that they were not responsible for this activity.

#### **5.1.2.5: Alternative perspectives on growth**

It is important to note that although the growth orientation was a dominant theme overall, a few respondents presented a more measured perspective on growth. This diversity of views provides added texture and an additional element of validity to the growth orientation proposition that emerged from the research and was demonstrated by the following participant comments:

- “Growth is important” if it leads to “social benefits ... but not just for the sake of it” is how one Australian social entrepreneur put it (#35/Aus/for-profit).
- Another spoke of having a year of “enormous growth” and wanting to continue this path “but in a more controlled manner” as it was not without organisational risks (#1/Aus/NFP).

A similar premise was apparent from a Scottish CIC who stated that:

- “We take a measured view ... as we want to grow from a solid platform” (#74/Scot/for-profit).

Finally an experienced Australian serial social entrepreneur added that a degree of caution was required as:

- “Growth is a challenging process” (#2/Aus/NFP).

**Thus a widespread recognition of a need for growth was tempered by some participants who suggested pragmatically that growth must also be attached to the central purpose of the venture and that the process of growth holds inherent challenges for social enterprises.**

#### **5.1.3: Commercial orientation**

A commercial orientation was often the first factor acknowledged by respondents during the interviews as influencing their organisation’s sustainability. Along with a growth perspective this was the most commonly addressed topic by the respondents in the interviews or as one NFP Scottish respondent succinctly observed, the sustainability of social enterprise:

- “... simply comes down to commercial viability ... it is business first with social outcomes ...” (#72/Scot/NFP).

A perspective that resonated both internationally and across the diversity of social enterprise types, irrespective of organisational type, as the following quotes illustrate:

- “First and foremost you have got to be a business” stated a Scottish Community organisation leader (#66/Scot / NFP).
- The CEO of a Scottish co-operative prosaically declared “business sustainability is fundamental ... the social impact can only flow if this is in place” (#68/Scot/Co-op).

Similarly an experienced Australian CEO recalled that:

- “... to become sustainable we had to become business orientated” (#13/Aus/NFP).

This was a notion echoed by an Australian counterpart who declared that:

- “We must be commercially sustainable” to achieve a “healthy community” (#3/Aus/NFP).

**Hence the research indicates an evolved level of commercial “pragmatism” within the social enterprise sector, suggesting that any sectoral ambiguity around the salience of a commercial orientation has therefore largely dissolved. The data indicates that irrespective of organisational type the social enterprise leaders in this study view a business focus as fundamental to the sustainability of their social ventures.**

#### ***Research finding # 4***

***Contemporary social enterprises of all organisational structures view a commercial orientation as being central to their ability to achieve a sustainable enterprise.***

The commercial orientation outlined above is further illustrated by the high incidence of respondents who discussed the associated concept of profitability in the interviews. The participants regularly discussed profitability and financial sustainability in association with organisational sustainability. The following statements are indicative of this connection. Again it is important to note that these statements are sourced from a cross-section of social enterprise organisational types, including traditional not-for-profits and community enterprises, indicating the pan-sectoral view toward profitability or surplus evident in this study.

- “You must have a profit engagement” stated the CEO of a large Australian environmental co-operative (#39/Aus/Co-op).
- “We do social good by making money” is how a high profile Scottish social business leader encapsulated their philosophy (#69/Scot/Mixed).
- “You have to make a profit ... it is what you do with the profit that matters” argued another Scottish respondent (#67/ Scot/NFP).
- “Business comes first ... profit is everything” was the singular way that an Australian social entrepreneur viewed profitability (#10/Aus/NFP).
- “Profit allows you to fulfil your purpose” remarked an experienced Australian NFP leader (#19/Aus/NFP) echoing the comments of a Scottish CEO who stated that:
- “If it does not work financially it is not going to work socially” (#61/ Scot/NFP).

Finally, the perspective is best summarised by a high profile Australian social entrepreneur who declared that his enterprise:

- “Is a for-profit operation ... there is no ambiguity at all” (#40/Aus/For-Profit).

**The data therefore demonstrates that a cross-section of social enterprise types across both international groups possess an unambiguous orientation towards profitability for their social enterprise, thus:**

#### ***Research finding # 5***

***Contemporary social enterprises of all organisational structures are strategically orientated towards achieving profitability.***

#### **5.1.4: Profit/surplus allocation**

The survey also sourced additional qualitative data associated with social enterprise profitability as the participants were asked the following open-ended question:

***“How does your enterprise allocate any profit/surplus?”***

The following table summarises the coded results to this question, showing that five discrete categories in terms of profit allocation were reported by the social enterprise leaders in this study.

**Table 5.1.4: Profit/surplus allocation**

	Australia N=53	Scotland N=40	Total N=93
Re-invest in business/ grow the business/ to reserves	41(65%)	34(79%)	75 (71%)
Goes to parent/charity	6(9.5%)	5(11.5%)	11(10%)
Allocate to the community	7(11%)	3(7%)	10(9.5%)
To members, founders or shareholders	9(14.5%)	1(2.5%)	10(9.5%)
Total	63	43	106

(Note: Numerous respondents provided several options.)

These results demonstrate a significant emphasis amongst the respondents (71%) to “re-invest” any profit or surplus generated in their social enterprise back into the business for purposes such as growth and development or as reserves. “Re-invested into the business” being a common phrase used by many of the participants to address this question. This is broadly consistent across both international groups. By comparison there was limited inclination to give the surplus directly to the community, members, founders or investors apparent in the results. Similarly only 10% reported that they returned profits to a parent charity or foundation. The following statements are illustrative of the intentions categorised above:

- “...goes back into the business” stated one Scottish CEO (#85/Scot /NFP).
- “All surplus is put back into the business” stated a Scottish compatriot (#84 /Scot/NFP).

However a number of respondents were more specific, identifying that profit is used for business development or growth. Illustratively an Australian social entrepreneur reported that all profits:

- “Go to the development of the enterprise and new directions” (#82/Aus/NFP).

Similarly a Scottish social entrepreneur described their approach to profit as being:

- “Re-invested for future business growth” (#59/Scot/NFP).

However not all participants identified the pre-eminence of commercial imperatives, emphasising conversely the notion of profits driving the achievement of the enterprise’s social objectives as the following comments highlight:

- “Reinvest in the company to achieve aims” stated a Scottish NFP leader (#79/Scot/For-Profit).
- “Invested back into the company to fulfil aims” was how another Australian social entrepreneur (#35/Aus/For-Profit) expressed this view.
- “Re-invest into purpose” emphasised another Scottish social enterprise CEO (# 61/Scot/NFP).

Alternatively a small number of respondents declared that any surplus would be directed externally from their enterprise to the community:

- “Back to the community either directly or via investment in community assets” declared an Australian social entrepreneur (#20/Aus/NFP).
- “Reinvest in the health and wellbeing of the local population” was how a Scottish counter-part described the intent of a NFP social enterprise (#70/Scot/NFP).
- “Profit provides dividends to the community” was the way a community organisation CEO from Australia explained their philosophy (#3/Aus/NFP).

Finally, about ten per cent of participants reported that they directed some or all of any profits to members, founders or investors. As one Australian co-operative put it, profit represents:

- “Dividends to shareholders with a percentage to the community” (#39/Aus/Co-op).

This illustrates another dimension to the question of profit allocation in the social enterprise context, namely the issue of whether, and if so how much, profit should be allocated to founders, members or investors. **However overall, and in alignment with the interview data, the survey responses lead to the following key finding:**

#### ***Research finding # 6***

***Contemporary social enterprises re-invest profit in the business to sustain and grow the enterprise and enhance the venture’s social impact.***

In summary, the preceding section demonstrated that the respondents of this study reported the existence of a number of inter related sub-themes that together comprise the dominant theme in the qualitative data, namely a commercially focused growth orientation. This orientation is viewed as the predominant factor in the sustainability of the social enterprises by the participants of this research and led to the key finding # 1 re-stated as:

### ***Research finding # 1***

***A commercially focused growth orientation is a major factor in the sustainability of social ventures.***

### **5.2: Dominant theme # 2: Networks, relationships and collaboration.**

The second dominant theme, representing 21% of all topics identified in the interviews as an important factor in the sustainability of social enterprises, incorporated notions of networks, relationships and collaborative activity. Also comprising this theme were participant comments regarding key stakeholders, such as government, Board members and relationships with advisors, such as intermediaries as they were often referred to by the respondents as being instrumental in decision making and business development activities within the sector, **leading to the following key finding:**

### ***Research finding # 7***

***Relationships, networks and collaborative activity were recognised as a key element of social enterprise sustainability in this study.***

This dominant theme forms a significant part of this project's findings addressing not only Research Question 1 relating to the factors that facilitate social enterprise sustainability but also speaking directly to the study's second and third Research Questions namely:

*SRQ2: What are the important networks and relationships in this process?*

*SRQ3: What is the role of intermediaries in the development of sustainable social enterprises?*

Therefore, to avoid repetition, the qualitative data that illustrates the various elements of this theme have been combined into the sections that relate specifically to Research Questions 2 and 3 analysed later in this chapter.

However, the following summative table shows that the theme of networking, relationships and collaboration, whilst pertinent across all participant groups, is of particular importance to the Australian respondents. This significant international variation was apparent in the interview data particularly in areas such as Government relations and Intermediaries with the Australians placing greater weighting on these issues.



**Table 5.2: Frequency of key sub-themes in networks, relationships and collaboration**

	Australia N=30	Scotland N=20	Total N=50
Networks/relationships/Collaboration/ Partnerships	25 (44%)	14(52%)	39 (46.5%)
Government Relations	16(28%)	3(11%)	19 (22.5%)
Intermediaries/Advisors	11 (19%)	4 (15%)	15 (18%)
Board/ Stakeholders	5(9%)	6(22%)	11(13%)
	57 (100%)	27 (100%)	84 (100%)

(Note: Numerous respondents provided several options.)

### **5.3: Dominant theme # 3: Organisational capabilities**

The social enterprise leaders in this study indicated that organisational capabilities were an important factor in the success of their organisation. This theme was the third largest coding pattern to emerge from the participant interviews representing 19% of the total number of issues identified. This section details the significant sub-themes and participant comments that support the following key finding:

#### ***Research finding # 8***

***Organisational capability was identified as an important factor in the sustainability of a social venture.***

The organisational capabilities theme was compiled from several sub-categories identified in the following table.

**Table 5.3: Frequency of sub-themes in organisational capabilities**

	Australia N=30	Scotland N=20	Total N=50
Systems/quality/culture/ efficiency/expertise	9 (29%)	11(24.5%)	20(26%)
Leadership/Planning	6(19%)	14(31%)	20(26%)
Marketing	5(16%)	13(29%)	18(24%)
Structure	11(32%)	7(15.5%)	18(24%)
Total	31(100%)	45(100%)	76(100%)

These results reveal a broad equality (24% - 26%) across the range of discrete sub-themes identified as important organisational capabilities by the participants. However of note are a number of significant international variations. For example, despite being recognised by the Australian participants, organisational capabilities was proportionally a considerably stronger theme overall amongst the Scottish participants in most aspects. The sub-themes of “marketing” and “leadership” stand out as being cited significantly more often by the Scottish social enterprise leaders although “structure” had more weight with the Australian cohort.

### **5.3.1: Systems, efficiency, culture and expertise**

Of relevance to both international groups, this sub-theme related to a social enterprise’s systems, efficiency, culture and expertise in terms of achieving organisational sustainability. The following comments are illustrative of participant views from this research and, as previously, they are taken from a cross-section of organisational types.

- “Our people, culture and leadership ... we are very competitive ... in a constant state of change” stated a Director of a highly successful Scottish social enterprise emphasising the importance of culture in her organisation (#55/Scot/NFP).
- “It’s our culture ... our people want to make money and then do good” remarked a CEO of a highly successful group of Scottish social enterprises (#69/Scot/Mixed).
- “Efficiency is a key factor ... as social enterprise needs to be extra efficient to compete” declared an Australian social entrepreneur (#28/Aus/For-Profit).
- “Quality of service is central ... cannot sustain yourself if your core service is not good” emphasised another Australian social entrepreneur (#2/Aus/NFP).

Moreover a number of respondents further emphasised that social enterprises need to be more efficient than traditional businesses in order to compete due to a higher cost base resulting from socially and value-based operating philosophies. This is well illustrated by the comments of one experienced Australian social entrepreneur who stated:

- “It is an irrational business model ... you need to be fantastic operators ... as costs are stacked against you” (#20/Aus/NFP).

Another Australian CEO (#13/Aus/NFP) went further, pinpointing a perception of social enterprise quality saying:

- “There is a professional stigma” around social enterprise that must be battled against with a need to raise the perception of the sector’s ability “to deliver commercially”.

*Hence organisational capabilities such as people, culture, quality and operational systems were identified as playing an important role in social enterprise sustainability.*

### 5.3.2: Leadership and planning

Another sub-theme relating to organisational capabilities comprised issues surrounding social enterprise “leadership” and “planning”.

**Table 5.3.2: Leadership and planning**

	Australia N=30	Scotland N=20	Total N=50
Leadership	3 (50%)	9 (64%)	12 (60%)
Planning	3 (50%)	5 (36%)	8 (40%)
Total	6 (100%)	14 (100%)	20 (100%)

The data indicates that “leadership” and “planning” in the context of social enterprise sustainability are of more significance to Scottish social enterprise leaders compared to their Australian counterparts. The majority (70%) of respondent references to leadership and planning issues came from the smaller Scottish group, with the Australian cohort showing relatively little focus here. The following comments being illustrative:

- “Leadership and strategic focus are critical” in the sustainability of a successful social enterprise declared a high profile Scottish social enterprise CEO (#58/Scot/Mixed).

Further, a number of prominent Scottish social enterprise leaders used the specific term “leadership” when defining their views on social enterprise sustainability (#54/Scot/NFP, #80/Scot/Co-op, #58/Scot/Mixed) often emphasising its importance in terms of the enterprise’s “strategic focus” (#61/Scot/ NFP, #73/Scot/NFP) and the need for “a key person ... a driving force” (#76/Scot/NFP).

Planning however was a less dominating theme but was mentioned by several participants.

- “Our business plan is a living document” stated an environmentally focused Scottish social entrepreneur (#72/Scot/NFP).
- “Planning is important ... we do a lot of it” stated one Australian social entrepreneur (#36/ Aus/NFP).

- “Forward planning is critical” emphasised an experienced Australian community enterprise CEO (#30/Aus/NFP).

*Hence leadership and planning were seen as factors in the sustainability of social enterprises predominantly by Scottish social enterprise leaders.*

### **5.3.3: Structure**

Social enterprise structure represented almost a quarter of the topics that comprised the dominant organisational capabilities theme. However, as the following participant quotes indicate, whilst the issue was recognised by both country groups and across all organisational types it attracted most attention from the Australian participants.

- “Structure must be aligned to commercial sustainability” (#28/Aus/For-Profit) succinctly stated one Australian social entrepreneur.
- “Structure is a critical strategic decision” stated another (#15/Aus/For-Profit).
- “Structure” is a “commercially strategic” issue observed an experienced Scottish CEO (#69/Scot/Mixed).

Similarly another Australian social entrepreneur expressed that structure:

- “Is a strategic issue ... based upon commercial realities ...” because “... structure impacts resourcing” (#35/Aus/For-Profit).  
However although as one experienced Australian social entrepreneur stated:
- “... structure is a funding issue ... you can do anything you like ... just go with what works best” the actual choice of structure is contextual being strategically important in so far as it aligns with the key stakeholders and individual organisational requirements of any given social enterprise (#28/Aus /For-Profit).

Further evidence of this pragmatic approach and a strategic application of structure towards the spectrum of social enterprise stakeholders are shown by the following respondent observations:

- “We are changing our structure to connect more with investors” declared a high profile Australian social entrepreneur (#17/Aus/Mixed).

Similarly an Australian community organisation CEO remarked that they had to take on a particular structure as:

- “...our local council would not engage with us otherwise” (#3/Aus/NFP).

A similar theme was noted by a pragmatic “for-profit” Scottish social entrepreneur stating prosaically:

- “Social enterprise structure gives us legitimacy with our customers ... and a competitive advantage” (#71/Scot/For-Profit CIC).

Or as an Australian community organisation CEO noted:

- “A new structure helped give us a better business focus” (#23/Aus/NFP).

Indeed several respondents specifically identified the strategic use of structure as part of their business development approach. An Australian social entrepreneur saw structure as a key issue for his social enterprise as his reported growth strategy was built around developing “a franchising model” for his enterprise (#6/Aus/For-Profit). A particularly innovative example came from a large Australian NFP enterprise that had created a new organisational structure to align all key stakeholders to specifically enable access to community and corporate resources. This structural strategy was symbolically described by the CEO as:

- “Creating tentacles into the community” (#33/Aus/For-Profit).

**Hence, structure is viewed as a commercially driven strategic issue by the majority of social enterprise leaders in this study, leading to the key finding:**

#### ***Research finding # 9***

***Organisational structure is viewed as a key strategic issue by contemporary social enterprise leaders.***

#### **5.3.3.1: Social enterprise organisational structures**

In addition to the forgoing qualitative interview data the participants were asked the following open- ended question in the survey instrument:

- “How is your enterprise legally structured? Why did you select this form?”

The results pertaining to the actual legal structures selected by the participants and importantly why they were selected follow. The participants nominated the legal structure applicable to their enterprise or group of organisations and these were sorted into four categories namely: Not-for-Profit (NFP), For-Profit, Co-Operative and a “Mixed” category

where participants identified having several structures within their group. The various types of organisations that comprise the various categories are listed in the following table, including within the For-Profit group the recently developed UK specific CIC structure identified in Chapter 3.

**Table 5.3.3.1a: Organisational structures**

	Australia N=48	Scotland N=39	Total N=87
NFP (Co.Ltd by Guarantee/Association/ Charity/Community Enterprise)	21(44%)	21(54%)	42(48%)
For-Profits(Pty Ltd/CIC)	15(31%)	8(20.5%)	23(26.5%)
Mixed structures	7(14.5%)	8 (20.5%)	15(17%)
Co-Operative or Mutual	5(10.5%)	2(5%)	7(8%)
Total	48 (100%)	39 (100%)	87 (100%)

(Note: Five respondents did not answer this question.)

Almost half (48%) of the social enterprises in this study reported having selected a Not-for-Profit or related type legal structure with this selection being slightly more common amongst the Scottish participants. However, significantly, over a quarter of all participants (26.5%) and almost a third (31%) of the Australian social enterprises had opted for a For-Profits type structure and additionally a further 17% of the overall sample reported possessing a strategic mixture of organisational types. Thus when also incorporating the co-operatives (8%) over half of the participants reported not having an exclusively NFP structure.

Having detailed the actual structures reported the following table details the themes that emerged relating to why a particular structure was selected by the respondents.

**Table 5.3.3.1b: Reasons for selecting organisational structure**

	Australia N=48	Scotland N=39	Total N=87
Pragmatic commercial reasons	25 (64%)	26 (65%)	51 (65%)
Mission, values, balance, pre-existing structure, accountability	14 (36%)	14(35%)	28 (35%)
Total	39 (100%)	40 (100%)	79 (100%)

(Note some respondents reported multiple reasons.)

The table shows that taken overall the respondents were predominantly (65%) influenced by pragmatic issues rather than values (35%) when selecting their organisational structure. In

fact only 9% of the sample identified purpose or mission as the sole determinant of structure. These perspectives are illustrated by the following respondent comments that whilst often polarised between distinct business and mission objectives also reveal insights into more blended strategies and rationales displayed by a number of social enterprise leaders. Firstly taking the “for-profits” type examples:

- “We are a business” reported a new Scottish CIC leader (#74/Scot/For-Profit).
- “Demonstrates that we are a social enterprise and not grant dependent ... it is effective for business” stated another Scottish social entrepreneur (#60/Scot/For-Profit).
- “We are for profits” was how an Australian social entrepreneur simply stated their position (#28/Aus/For-Profit).

Conversely, where purpose was the overriding reason examples of comments associated with mission/values based views were as follows:

- “Transparency” (#72/Scot/NFP).
- “Felt most comfortable with it” (#70/Scot/NFP).
- “Workplace democracy and no private ownership” (#51/Aus/Co-op).

However perhaps the clearest example of strategic intent associated with social enterprise structural selection is shown by a number of entities that had developed a multi-structured framework for their operations. This approach incorporates a variety of organisational types within a multi-enterprise structure enabling the group to meet dual objectives in terms of mission and commercial imperatives. Seventeen per cent of respondents reported such an approach. The following quotes are illustrative of the reasoning behind this pragmatic strategy:

- “Transparency with commercial robustness” (#44/Aus/Mixed).
- “Flexibility and tax efficiency” (#76/Scot/Mixed).
- “Strategic and sustainable” (# 15/Aus/Mixed).
- “Clear separation of the social and enterprise activities ... and tax benefits” (#91Scot/Mixed).

**Hence the following key finding on social enterprise structure emerged:**

**Research finding # 10**

*Contemporary social enterprises report selecting organisational structure based on pragmatic commercial factors rather than purpose or values.*

**5.3.4: Marketing**

Marketing was another major component of the organisational capabilities theme comprised from the interview data, capturing topics such as “marketing”, “research” and “customer focus”. The following table identifies the marked difference in emphasis given to this organisational capability by the Scottish participants.

**Table 5.3.4: Marketing**

	Australia N=30	Scotland N=20	Total N=50
Marketing	5 (28%)	13 (72%)	17 (100%)

Despite comprising a much smaller group the Scottish participants reported a significantly greater emphasis on marketing activity in the context of social enterprise sustainability compared to their Australian counterparts in this study. The following marketing-related respondent observations reflect the greater overall weighting given to marketing by the Scottish participants across the spectrum of organisational types:

- “Marketing is important for us” observed a long established Scottish NFP (#75/Scot/NFP).
- “A marketing focus” was viewed as a key factor by another Scottish social entrepreneur stating “research is critical” (#76/Scot/NFP).

Another high profile Scottish CEO simply stated that “market awareness” is a critical factor in creating a sustainable social enterprise (#69/Scot/Mixed).

- “A true marketing perspective is key ... it is not enough to just try to do good ... do they need it?” stated a recently established Scottish social entrepreneur (#60/Scot/For-Profit).



- While enterprise success was viewed as being based upon “good business practice ... a marketing focus ... worked through with our customers” by another Scottish CEO (# 73/Scot/NFP).

Such a marketing perspective was not as apparent in the Australian interviews. However one successful Australian social entrepreneur emphatically stated that:

- “Marketing is crucial to success ... social enterprise may have a great product but it will not sell itself” (#43/Aus/NFP).

**Hence the following key finding relating to social enterprise success:**

***Research finding # 11***

***Marketing was identified as an important factor in social enterprise sustainability.***

**5.4: Dominant theme # 4: Organisational resourcing**

The fourth theme identified as an important factor in the sustainability of social enterprises, representing over 15% of all coded topics, was organisational resourcing. This theme included comments associated with financial resourcing streams such as funding and grants as well as earned income and trading. The theme also included reference to other assets such as the human capital of social enterprises and physical assets that were identified as providing access to important trading opportunities, thus:

***Research finding # 12***

- ***Organisational resourcing was identified as an important factor in the sustainability of social ventures.***

The following table suggests that access to sources of finance and income was viewed as an important factor in organisational sustainability by the social enterprise leaders in this study. However there was a higher propensity for the Scottish participants to discuss organisational resourcing as a key factor in their social enterprises sustainability.

**Table 5.4: Frequency of key sub-themes in organisational resourcing**

	Australia N=30	Scotland N=20	Total N=50
Resourcing/ Funding/ Grants	14(48%)	17 (51.5%)	31 (50%)
Trading/Earned income	7 (24%)	11 (33.5%)	18 (29%)
People/ Volunteers	8(28%)	5(15%)	13(21%)
	29 (100%)	33 (100%)	62 (100%)

**5.4.1: Financial resourcing**

Financial resourcing or funding in relation to social enterprise sustainability was a common topic to emerge from the semi-structured interviews in this study. The respondents regularly discussed the critical importance of “multi-resourcing” their organisations from a variety of financial streams such as grants, trading and government contracts. Some representative respondent comments that reflect this notion are presented here to illustrate the strength of this theme in the findings.

- “Funding is the number one issue” in relation to sustainability remarked an Australian NFP CEO (#27/Aus/NFP).
- “We use grants strategically ... and are still reliant on grant income but ... our trading services will make us sustainable in a few years” noted the CEO of a Scottish NFP (#73/Scot/NFP).

Indeed the need “to create a self- funding entity” as one community organisation leader put it reflected a widely held view amongst the participants. A long established and highly successful Scottish community enterprise told of having “achieved 80% plus earned income” and a strategic imperative to only use grants for “capital growth programs” rather than as a revenue source due to the inherent lack of long term financial security with such funds. They further articulated that social enterprises that followed a “grant farming” strategy were unlikely to be sustainable (#69/Scot/Mixed).

A Scottish social entrepreneur, resonating a common experience, detailed how the loss of public funding triggered the need “to start to trade” for his venture (#76/Scot/NFP). This was echoed by another Scottish social entrepreneur who described how their enterprise had been forced to “become a real business” following the loss of a public contract (#72/Scot/NFP).

As previously identified, the acquisition and associated leveraging of physical assets to create resource streams and thus enhance organisational sustainability was a feature of a number of interviews. An Australian community enterprise CEO described how a physical asset, in this case an unused commercial kitchen, was transformed into new social business opportunity stating that:

- “Our building had a kitchen in need of renovation ... which led to the start of the social enterprise” (#36/Aus/NFP).

Similarly a long established Scottish NFP detailed how the acquisition of a property had, in a similar vein, enabled the development of a range of successful trading activities (#75/Scot/NFP). Another Scottish social entrepreneur detailed how the strategic acquisition and planned renovation of a property had transformed the ability of the social enterprise “to gradually develop and grow in scale” by progressively building trading revenues (#61/Scot/NFP).

As the participants of this study were almost exclusively established organisations with 98% being two or more years old there was not surprisingly very little comment in regard to access to seed or start-up funding in the interviews. However, one Australian social entrepreneur with extensive industry experience observed:

- “Social enterprise start-ups find it hard to get dollars” (#4 /Aus/For-Profit).

***Hence overall this leads to the key finding:***

### ***Research finding # 13***

***Financial resourcing was the predominant form of resourcing emphasised as critical to organisational sustainability.***

#### **5.4.2: Human resources**

There was some discussion in the interviews in relation to the importance of human resources in terms of social enterprise sustainability as the following participant comments identify:

- “We have a large training budget to get the best out of people” stated the Director of a highly successful Scottish social enterprise who emphasised the importance of people and culture to their success (#55/Scot/NFP).

Similarly “people are the key ...” declared the CEO of a high profile group of Scottish social enterprises (#69/Scot/Mixed).

- “You need good people around you” stated an experienced Australian community enterprise CEO (#32/Aus/NFP).

Another Australian CEO concurred, saying that:

- “Good people are a key factor in terms of social enterprise success” (#30/Aus/NFP).

A limited number of respondents mentioned the challenge faced by social enterprises in terms of sourcing appropriately skilled human resources:

- “The ability to employ top people is a limiting factor” in terms of growth for one Australian social entrepreneur (#35/Aus/For-Profit).
- “It is a big challenge to attract talent” was the perspective of another NFP CEO (#13/Aus/NFP).

Hence some participants emphasised the importance of developing the skills of their people, for example:

- “Peer learning and ongoing training ... is critical” noted one Scottish CEO (#54/Scot/NFP).

Surprisingly there was almost no discussion connecting volunteering with the sustainability of the social enterprise although a sole Australian co-operative leader noted that their operation’s “many volunteers” were “part of their success”( # 24/Aus/Co-op).

## **5.5: Dominant theme # 5: Venture legitimacy**

The final theme identified as an important factor in the sustainability of social enterprises, representing over 12% of the key topics identified by the social enterprise leaders in this study, was organisational legitimacy. Comprising topics such as purpose, legitimacy, mission, community, social impact and public awareness the theme leads to the key finding:

### ***Research finding # 14***

***Organisational legitimacy was seen as playing an important role in the sustainability of social enterprises.***

The following table illustrates that this theme was generally consistent across the country groups although a much greater emphasis was placed on public awareness of social enterprise by the Australian participants.

**Table 5.5: Frequency of major sub-themes in venture legitimacy**

	Australia N=30	Scotland N=20	Total N=50
Purpose/legitimacy/ Impact/mission	13(39%)	9 (53%)	22(44%)
Public Awareness/Relations	14(42.5%)	2 (12%)	16 (32%)
Community	6 (18.5%)	6 (35%)	12(24%)
Total	33 (100%)	17(100%)	50 (100%)

### 5.5.1: Purpose and legitimacy

Despite the preponderance towards commercial aspects of organisational sustainability in the interviews, the legitimacy, impact and purpose of social enterprise was also viewed as an important factor in social enterprise success by the respondents across the cross-section of social enterprise organisational types. The following participant observations are reflective of this:

- “Purpose is everything ... need to be pragmatic but also need the passion too!!” remarked an experienced Australian social entrepreneur emphatically (#20/Aus/NFP).
- We are “passionate about what we do ... it’s for the community” stated a Scottish social entrepreneur (#72/Scot/NFP).
- It is about “community development ... it’s a way of life ... the common cause” remarked a successful Australian co-operative leader (#24/Aus/Co-op).
- “Success is a healthy community” stated a community organisation CEO (#3/Aus/NFP).
- “We want to be socially responsible and make a social impact” observed a Scottish social entrepreneur (#71/Scot/For-Profit).

However, while recognising the importance of purpose and motivation as a driver of social enterprise activity, a serial Australian social entrepreneur captured the sentiments of many participants by succinctly observing that:

- “It is not enough to have the social purpose ... must have a compelling business too!!” (#2/Aus/NFP).

This view was echoed by a number of respondents, for example:

- “A mix of strong social justice ... and business savvy” is how another Australian CEO described their approach, whilst;
- “Purpose with a business orientation” is how an Australian community leader expressed the same notion (#32/Aus/NFP).

Thus mission and purpose were seen as a contributory, though not necessarily a sufficient factor in the issue of social enterprise sustainability by the participants in this study. However importantly, several social enterprise leaders argued that the social legitimacy of social enterprises in fact represented an important source of organisational sustainability to the sector by delivering an inherent competitive advantage for social enterprises over traditional forms of business.

- “Our social legitimacy ... is a big opportunity for competitive advantage,” suggested an experienced Australian social enterprise CEO (#27/Aus/NFP).

This notion was supported by a Scottish social entrepreneur who stated that being a social enterprise “gives us legitimacy with our customers ... and competitive advantage” (#71/Scot/For-Profit).

### **5.5.2: Social enterprise leader motivations**

The motivation of the social enterprise leaders in this study was targeted in the following open-ended question from the survey:

*“Personal goals: I am in this social enterprise because (list your main reasons)?”*

The responses of the participants were coded and the resultant themes are detailed in the following tables.

**Table 5.5.2a: Social enterprise leader motivation**

	Australia N=52	Scotland N=39	Total N=91
Purpose/community/make a difference/values	72 (61%)	54 (56%)	126 (59%)
Personal rewards (non-material)	32 (27%)	35 (36%)	67 (31%)
Personal rewards (material)	14(12%)	8 (8%)	22 (10%)
Total	118 (100%)	97 (100%)	215 (100%)

(Note: the majority of respondents gave multiple answers.)

**Table 5.5.2b: Purpose as a motivator**

	Australia N=52	Scotland N=39	Total N=91
% of respondents that stated purpose as being all or part of their motivation	87.5%	92.5%	90%

Table 5.5.2a summarises the weighting between the aggregated reasons given by the respondents as to why they are in their social enterprise. Almost all participants cited a variety of motivations. However these results show that the participants predominantly specify reasons of social purpose and making a difference as the main motivation for being involved in a social enterprise, representing over 59% of the total reasons reported. Non-material personal rewards such as satisfaction, challenges and personal development also register strongly at over 31%. Material rewards, such as a salary and employment, rank last across both country groups at approximately 10%.

Table 5.5.2b specifically identifies the percentage of respondents that nominated that purpose-related drivers were at least one of their motivations. These results emphatically show the importance of social purpose as a motivator with 90% identifying purpose-related goals as a key driver of their actions, at least in part, **thus leading to the key finding:**

### ***Research finding #15***

***Mission drives the motivation of contemporary social enterprise leaders.***

### **5.5.3: Community and public awareness**

An important area of the legitimacy theme was public awareness. The data reveals that the Australian respondents in particular noted issues around a lack of community awareness of

social enterprise and the opportunity that this represented for their enterprises if it were to be developed. The following comments highlight this perspective, including the role that government could play here, particularly in the Australian context:

- “Limited public awareness ... this is a real opportunity” commented an Australian social entrepreneur (#35/Aus/For-Profit).
- “The majority of people have no idea what social enterprise is” remarked another serial Australian social entrepreneur because in his view “social enterprise is terrible at telling the story” (#2/Aus/NFP).
- “Government has a big role to play” in marketing social enterprise stated an Australian community enterprise entrepreneur (# 36/Aus/NFP).
- “Social enterprise is not taken seriously ... there is a stigma attached ... Public awareness is a key issue” observed an experienced Australian community organisation CEO (# 13/Aus/NFP).

Conversely the Scottish participants did not articulate this perspective. The Scottish situation was well summarised by one influential social enterprise CEO who stated that:

- “Public awareness of social enterprise in Scotland is high” (#54/Scot/NFP).

Although a single high profile Scottish CEO observed that much more can still be done in this area and that:

- “More impact is required from the high profile social enterprises” to promote the fields accomplishments (# 58/Scot/Mixed).

***Hence leading to the following:***

### ***Research finding # 16***

***Increasing community awareness of social enterprise, including its impact, was viewed as an area of opportunity for the sector, particularly by the Australian participants.***



## **5.6: Dominant themes – Research Question 2 (SRQ2)**

*RQ 2 “What are the important networks and relationships in this process?”*

The qualitative results relating to RQ1 demonstrated that networks, relationships and collaborative activity were a dominant theme amongst the social enterprise leaders in this study, being viewed as a significant factor in the sustainability of the social ventures. This section will detail representative participant comments from the cross-section of social enterprises that illustrate and evidence this finding. The section also reviews data relating to the types, range and nature of these networks and relationships including specific relations with groups such as stakeholders, Board members, clients and government.

### **5.6.1: Social enterprise networks and collaboration**

The importance of networks, relationships and collaborative activity to the sustainability of social enterprise is supported by the high level of attention it received in the project interviews, representing 21% of all coded interview topics. The theme was apparent across both country groups and all organisational types with networking perceived as an important component of social enterprise success and sustainability as the following comments highlight:

- “Networks are important for growth and development” expressed the CEO of a highly successful Australian community organisation (#23/Aus/NFP).
- “Networks are fundamental to our success ... it is about symbiotic relationships” is how another Australian community organisation leader summarised the importance of networks to their organisation (# 3/Aus/NFP).
- “Network access is critical” declared a successful Australian social entrepreneur proceeding to emphasise the importance of intermediaries in facilitating this process (#35/Aus/For-Profit).
- “Networks create revenue streams” is how another Australian CEO viewed their importance (# 30/Aus/NFP).

Networks were similarly viewed as important by the Scottish participants illustrated by the comments of one social entrepreneur who stated that:

- “We use networking a lot ... it is important to work your networks to build business” (#71/Scot/For-Profit).

A high profile Scottish CEO spoke of the need to:

- “...leverage success ... ” by selecting “the right networks” (#61/Scot/NFP).

These sentiments were endorsed by another Scottish social entrepreneur who emphasised the importance of relationships, specifically stating that:

- “...networking is a strategic tool” (#57/Scot/For-Profit).

Also regularly highlighted in the interviews was the importance of networks to a social enterprise in terms of resourcing:

- “Networks are critical to funding” emphasised the leader of a well-known Scottish social enterprise (# 75/Scot /NFP) a sentiment endorsed by the CEO of a community organisation that stated that:
- “We network strategically ... for resourcing purposes” (# 73/Scot/NFP).

***Hence the key finding:***

***Research finding # 17***

***Networks were viewed by the participants of this study as an important factor in social enterprise sustainability.***

Furthermore a number of respondents specifically discussed the importance of networks being applied strategically in the form of collaborative alliances or partnerships. For example, one Australian community enterprise CEO spoke of how relationships take time to develop, however they are:

- “Critical in creating partnerships” that can be “leveraged for commercial benefit” (# 30/Aus/NFP).
- Similarly an Australian NFP CEO (#27/Aus/NFP) spoke at length about the importance of collaboration for the field and stressed the role of networks and particularly the role of intermediaries “in a collaborative model”.

This was endorsed by another Australian social venture CEO who succinctly stated:

- “We need more collaboration” in the social enterprise domain and that his organisation was specifically seeking to facilitate “more buying groups in the sector” (# 1/Aus/NFP).

Collaboration was also a theme amongst the Scottish participants. One high profile social entrepreneur detailed a number of collaborative sectoral networking initiatives that he was involved in, however further stressing the need for such collaborative networks to be:

- “Strategically focused ... with a clear purpose” (# 58/Scot/Mixed).

This was a view echoed by another Scottish social entrepreneur who stated that they use networking activities:

- “... to build business with other social enterprises” (#71/Scot/For-Profit).

In fact several respondents explicitly detailed collaborative partnerships, detailing existing local and national collaborative frameworks that provided their ventures with scaling and business development potential. Examples of such partnerships were reported by a number of respondents such as the “Ready for Work programme” in Scotland (#63/NFP,#58/Mixed) and Australian initiatives such as the “Yellowbrick Road” (#27/NFP), “The Hub” (#40/For-Profit) and “Alpha Autism” (#42/NFP) projects. **Such examples support the next key finding:**

### ***Research finding # 18***

#### ***Networks enable beneficial collaborative activity for social enterprises.***

The interview data therefore provided specific evidence of networks and collaborative activity playing a role in the sustainability of the social enterprises. However it should be noted that although predominantly viewed as highly beneficial, some Scottish respondents were guarded when discussing collaborative activity, seeing the process as containing potential pitfalls leading to:

- “self-perpetuating behaviour ... feeding off of the public purse” (#74/Scot/for-Profit).
- “... creating self- supporting collaborative hubs” rather than building overall sector capacity (#55/Scot/NFP).

### **5.6.2: Government relations**

The relationship of social enterprise with government was another common topic discussed by the social enterprise leaders in this study, forming nearly a quarter of the overall coding of the dominant networking and relationships theme. This data indicated that government relations were a more significant issue for the Australian respondents than their Scottish

counterparts. Additional information relating to this important relationship was sourced from the following open-ended question in the survey instrument:

*“How could government further assist your enterprise?”*

A qualitative coding analysis of the responses produced the following themes, detailed in the next table.

**Table 5.6.2: Forms of governmental assistance**

	Australia N=48	Scotland N=40	Total N= 88
More direct support/ funding/resources	32 (67%)	23 (57.5%)	55(62.5%)
Policy initiatives (tax/structure/less Bureaucracy)	22 (46%)	8 (20%)	30(34%)
Procurement/ collaboration/ capacity	11(23%)	11 (27.5%)	22(25%)
Grow awareness of the sector	8 (17%)	6 (15%)	14(16%)
Already good	0 (0%)	6 (15%)	6 (7%)

(Note: five participants did not respond to this question. Some participants gave multiple answers.)

This table suggests both country groups similarly viewed the most important role of government for social enterprise is direct support in the form of additional funding and resources. The groups also gave a similar weighting to the importance of increased government procurement initiatives and collaborative activity as well as a need for government to help grow awareness of the sector overall. However, considerably more Australian participants singled out the need for policy initiatives in areas such as social enterprise legal structure and the reduction of bureaucracy. Furthermore, and resonating with the project’s interview data mentioned earlier, significantly 15% of Scottish respondents reported that government was actually doing a good job whereas not a single Australian participant presented a positive view.

The following participant comments, taken from both the interview data and responses to the open-ended survey question, illustrate the various themes associated in the data in terms of government relations and social enterprise. They also highlight the aforementioned aspects of significant country variation on the subject.

For example, one Australian social entrepreneur observed there is a need for more:

- “More government support for social businesses” is required stated an Australian social entrepreneur (#10/Aus/For-Profit).
- “Government is key ... and should play a much bigger role” stated the head of a large Australian NFP group (#27/Aus/NFP).
- “Very little if any accessible government support” was available to Australian social enterprise declared another social entrepreneur (# 21/Aus/Co-op).
- “More enlightened ... proactive support from government” that delivers “more dollars and is more engaged ...” observed a veteran Australian NFP leader (#20/Aus/NFP).

Another issue to emerge from the qualitative results was whether the currently available forms of organisational structure were appropriate and effective for social enterprise. A number of Australian participants identified frustration with the options available in Australia. A “new legal structure is required” stated one experienced Australian serial social entrepreneur “as we are forced to go NFP or profit and we need a mix” (# 35/Aus/For-Profit). And perhaps most succinctly another entrepreneur remarked that there is “no regulation around incorporating a social business” (# 41/Aus/ NFP).

Finally, and summing up the general sentiment amongst the Australian cohort, a leading community enterprise CEO (#25/Aus/NFP) declared that:

- “Government could do much more for the sector”.

Conversely the Scottish respondents revealed a very different perspective, indicating an apparently more positive relationship between the social enterprise domain and government in Scotland. The following quotes are illustrative of this markedly more positive view:

- “Government has created a great support infrastructure in Scotland” stated a high profile social enterprise CEO (# 58/Scot/Mixed).
- “The Scottish Government gives strong support ... financial, business, mentoring ...” was how another leading NFP CEO viewed the involvement of the Scottish government (#56/Scot/NFP).
- “We receive a lot of support from the Scottish Government” declared a social entrepreneur of a smaller CIC (#71/Scot/For-Profit).

- “Policy awareness is advanced in Scotland” remarked the CEO of a NFP training organisation (# 54/Scot/NFP).

However a sub-theme that spanned both country groups was the important role that government can play in raising the awareness of social enterprise in the community. This theme focused upon the opportunity to develop community and governmental awareness of social enterprise in general. Representative of this sentiment are statements suggesting that government needs to:

- “Raise the profile of social enterprise ... particularly with government staff” (#70/Scot/ NFP), and
- “Promote the concept of social enterprise” (# 74/Scot/For-Profit).

Indeed social enterprise leaders from both countries identified government procurement as a core issue for social enterprise development. It was a common theme in data supporting a general view that collaboration with government through procurement initiatives offered significant potential for social enterprise development as the following comments demonstrate:

- “Government can support social enterprise particularly through procurement programs” (# 27/Aus/NFP) suggested one Australian NFP CEO.
- “Develop more social procurement strategies” was a common comment amongst the Australian cohort (#11/Aus/NFP).

The Scottish group generally concurred. For example, the CEO of a large and diverse NFP emphatically reported that government needs to institute:

- “Better procurement processes ... open up new markets for social enterprises” (#56/Scot/NFP).
- “We need to get government procurement happening ...” however to do so the sector needs to “... educate the public sector procurers about social enterprise” declared a Scottish social entrepreneur (#79/Scot/For-Profit).
- “Free up thinking and take more risks” was how the leader of a high profile Scottish social enterprise pointedly viewed how government should approach the field (# 55/Scot/NFP).

A final topic in terms of government relations and one that was particularly evident amongst the Australian cohort was the issue of bureaucracy. As one Australian respondent succinctly suggested, what is needed is quite simply “reduced regulation” (#48/Aus/Co-op) or as another social entrepreneur unambiguously expressed:

- “Government should get out of the way” (# 36/Aus/NFP).
- “Compliance costs are terrible” stated a Co-operative leader (#24/Aus/Co-op).

This sentiment was echoed by several social entrepreneurs who viewed the “compliance costs and administration required as prohibitive” particularly in terms of accessing government support as it simply “... requires too much resourcing” (#35/Aus/For-Profit) with “government red tape and bureaucracy” seen as a significant restraint on organisational activity (#34/Aus/NFP). **Hence the following key finding:**

#### ***Research finding # 19***

***Governmental relations were viewed as a significant factor in terms of social enterprise sustainability. However the Australian participants reported less governmental support than their Scottish counterparts.***

#### **5.6.3: Stakeholders and Board of Directors**

The salience of stakeholder relationships was another topic to emerge in the interview data. A number of the respondents, across all organisational types, demonstrated an acute awareness of the pertinence of the various stakeholder relationships that impacted their organisation. A number of respondents observed that social enterprise operates in “a multi-stakeholder environment” with one Australian social entrepreneur, when speaking extensively about collaboration, declared that stakeholders were:

- “A key part of our business plan” and that they “... collaboratively engage with all stakeholders ... including our competitors” (#43/Aus/NFP).

Not surprisingly a number of the community focused organisations endorsed the important nature of stakeholder collaboration, viewing “partnering” with the community and government as pivotal to delivering sustained community impact (#23/Aus/NFP, #3/Aus/NFP, #24/Aus/Co-op). Indeed many participants displayed a tacit understanding of the need for aligned, collaborative multi-stakeholder relationships (#32/Aus/NFP, #39/Aus/Co-

op, #72/Scot/NFP, #70/Scot/NFP, #69/Scot/Mixed). This is well-illustrated by one successful Scottish social enterprise leader who attributed his venture's success in part to:

- "... stakeholder awareness ... selecting the key stakeholders is important" (#61/Scot/NFP).

Another example is an Australian Housing Association that described deliberately developing a collaborative framework through the alignment of key stakeholders in an innovative organisational structure that included the local community, government and corporate stakeholders (# 33/Aus/For-Profit).

**Hence the key finding:**

***Research finding # 20***

- ***The sustainability of social enterprises is directly impacted by the nature and quality of the stakeholder relationships that they develop.***

Conversely issues relating to the Board of Directors were infrequently discussed in the interviews. However one Australian CEO observed the Board was:

- "... critical ... providing passion, expertise and a strategic role" (#27/Aus/NFP).

Similarly a Scottish social entrepreneur stated that:

- "... a good Board is key" to the success of any social enterprise (#67/Scot/NFP).

Similarly an Australian community enterprise CEO noted that their Board was an important factor in their success predominantly because a number of Board members were:

- "... very successful businessmen" (#3/Aus/NFP).

On the other hand a lone Scottish social entrepreneur took a contrary view stating emphatically that:

- "... having a Board constrains entrepreneurial activity ... slows decision making and wastes a lot of time" (# 70/Scot/NFP).

However, as the following section on trusted relationships shows, despite limited discussion in the interviews, Board members were identified by the respondents as a significant



component of the group of individuals deemed to be the trusted relationships that assist the social enterprise leaders in their organisational decision-making process.

#### 5.6.4: Trusted relationships

The participants were asked the following open-ended question in the survey instrument relating to the specific trusted relationships that assist them in running their social enterprises. Specifically aligned to SRQ 2 and seeking to identify the important networks and relationships of social enterprise leaders, the participants were asked to:

*“List up to seven trusted people from whom you receive information, advice or other resources that help you to operate your social enterprise.”*

The responses of the participants are as detailed in the following table.

**Table 5.6.4: Trusted relationships**

	Australia N=52	Scotland N=38	Total N=90
Board/Director/ Partner	54	67	121 (25%)
Colleague/ associate	35	31	66 (14%)
Expert/specialist/consultant	39	14	53 (11)%
Mentor/coach/advisor	28	26	54 (11%)
Government	21	17	38 (8%)
3 <sup>rd</sup> sector/Other social enterprises	21	18	39 (8%)
Family/ friend	25	13	38 (8%)
Customer/supplier/corporate	27	14	41 (8.5%)
Industry bodies	14	3	17 (3.5%)
Intermediary	8	7	15 (3%)
Total	272	210	482(100%)

(Note: Three respondents did not answer this question.)

Taken overall the results demonstrate that the respondents identified an extensive range of internal and external “trusted persons” from whom they receive assistance in running their social enterprises. In fact the participants identified on average five such trusted persons with an emphasis towards intra-organisational relationships as 39% of the relationships, comprised Directors, Board members, employees and associates. However external contacts were also

seen as important with 36% of key relationships comprising consultants, experts, advisors, mentors, government and intermediaries.

In terms of country variation there is considerable similarity between the Australian and Scottish participants although the Scottish respondents reported a higher emphasis in terms of Board members/Directors than their Australian counterparts. Conversely the Australians were more likely to discuss issues with external contacts such as consultants, industry bodies, customers and corporate connections as well as family and friends.

**This leads to the next key finding:**

***Research finding # 21***

***Social enterprise leaders rely upon an extensive and broad based network of trusted relationships for assistance and advice in running their social enterprises.***

**5.6.5: Client relationships**

The survey respondents were also asked “*Who are your clients?*” in order to elicit the nature of their enterprises’ important customer relationships. The following table identifies the range of customers identified by the survey participants.

**Table 5.6.5: Client relationships**

	Australia N=53	Scotland N=39	Total N=92
3 <sup>rd</sup> sector, charities, associations	18	19	37(19%)
Private sector, businesses, corporates, industry contacts etc.	30	16	46(23%)
The general public	25	5	30(15%)
Government, local authority, public services	16	14	30(15%)
Social enterprises, social entrepreneurs	1	4	5(2.5%)
Mental health, aged care, disabled, minority groups	10	9	19(9.5%)
Homeless, unemployed, low-income	3	7	10 (5%)
Youth	5	4	9(5%)
Education, schools, students	4	5	9(5%)
Arts	1	1	2(1%)
Total	113	84	197(100%)

**As the table demonstrates, the participants identified a wide range of client relationships, with the majority reporting having clients across multiple categories.** In terms of the various sectors, the public sector was specified by 15% of respondents whilst the

third sector, including other social enterprises, made up 21.5%. However, significantly 38% of the client relationships were identified as being directly with the general public and private sector. The Australian participants reported a far greater number of private sector and general public relationships than their Scottish counterparts. At a specific level, categories of disadvantaged clients were specifically reported by the respondents such as the disabled, the aged, youth and the homeless for example, demonstrating the focus of the social enterprise domain upon delivering services to the less fortunate in society.

#### **5.6.6: Area of the economy that the social enterprise operates in**

The survey participants were asked to detail the sector(s) of the economy in which their enterprise operated. The results are outlined in the following table.

**Table 5.6.6: Area of economy the enterprise operates in**

	Australia N = 49	Scotland N = 39	Total N = 88
Business services e.g. finance and legal	6	8	14
Employment and training	6	7	13
Hospitality, leisure, events, Tourism	10	13	23
Property services	7	2	9
Education	4	4	8
Health related services e.g. disability	3	7	10
Retail	11	5	16
Environmental services	5	5	10
Creative arts, design	4	5	9
Media	2	2	4
Tech	2	2	4
Food	6	2	8
Wholesale	4	1	5
Housing	2	3	5
Community development	2	2	4
Manufacturing	1	1	2
Transport	1	0	1

**The data thus indicates that social enterprises operate across the breadth of the economy with a particular emphasis toward service-related operations.**

### **5.7: Dominant themes – Research Question 3**

A further goal of this research project was to explore the role of intermediaries in social enterprise development thus:

*SRQ3: What is the role of intermediaries in the development of sustainable social enterprises?*

The ensuing section details the qualitative results that relate to this research question including an analysis of the relevant interview data and the findings associated with a specific open-ended question relating to intermediary support of social enterprise.

#### **5.7.1: The role of intermediaries**

Intermediaries were not discussed extensively by the participants when considering the sustainability of their enterprises. Where evident, such discussion came predominantly from the Australian respondents. The following statements illustrate the perspectives of the social enterprise leaders towards intermediaries and their role in social enterprise development.

- “Intermediaries play an important role beyond simply funding ... in planning and refining opportunities” suggested an experienced Australian social enterprise CEO (#27/Aus/NFP).
- “Intermediaries can help give credibility and access to networks” stated an Australian social entrepreneur (#35/Aus/For-Profit) who reported having received considerable support from such entities.

Another Australian social entrepreneur with considerable experience of working with intermediary organisations described the need for an:

- “... integrated holistic model” of intermediary support that embraces all aspects of social enterprise development, further stating that “Government should not get hands on ... ” but support the sector “via intermediaries ... but they need to be true intermediaries ...” (#4/Aus/For-Profit).

Indeed the founder of a high profile For-profit social enterprise described its purpose as being “like an intermediary” (#40 /Aus/For-Profit) in seeking to provide integrated support services

to social enterprises and acting concurrently to facilitate connections to the corporate community. Another prominent Australian social entrepreneur also felt that intermediaries can play an important role in extending the reach of government funding support to a wider number of ventures as:

- “We have got to help to make social enterprise more effective ... by spreading the funding deeper not just too a few big foundations” (#2/Aus/NFP).

However intermediaries were not without criticism. One Australian social entrepreneur observed that intermediaries:

- “Don’t take risks” and “don’t touch innovation” as they are “run by a NFP mindset” (#28/Aus/For-Profit).

As noted, the Scottish respondents made limited mention of intermediaries in the interviews. When discussed, intermediary activity was taken for granted and viewed as beneficial to the sector. However, as the following observations illustrate, the Scottish participants see the role and impact of these players as needing to be carefully targeted, monitored and evaluated by policy makers to ensure that the optimum aggregate benefit accrues to the community. As one successful Scottish social enterprise leader warned, intermediaries can:

- “Create collaborative hubs that are simply self-supporting and fragile” (#55/Scot/NFP).

Whilst another Scottish social entrepreneur observed that:

- “Too many intermediaries are feeding on the public purse ... it is just self-perpetuating” (#74/Scot/For-Profit).

***Hence the following key finding:***

***Research finding # 22***

***Intermediaries play a role in the development of sustainable social enterprises, however it needs to be targeted and monitored so as to deliver optimum benefit.***

## **5.7.2: Types of intermediary support**

To gain further insight into the role of intermediaries in the social enterprise sector the survey respondents were asked the following open-ended question:

*“What form(s) of support has your enterprise received from intermediaries?”*

The next table illustrates the generic categories of support reported as being received from intermediaries.

**Table 5.7.2: Types of intermediary support**

	Australia N=53	Scotland N=40	Total N=93
Financial/funding/ Resources	20 (38%)	15 (37.5%)	35 (37.5%)
Advisory/consulting/info/ guidance/coaching	20 (38%)	30 (75%)	50 (54%)
Networking/ business development	9 (17%)	14 (35%)	23 (25%)
Training	4 (7.5%)	3 (7.5%)	7 (7.5%)
None/minimal	17 (32%)	4 (10%)	21 (22.5%)

Most significantly these results reveal that nearly one in four (32%) of the Australian social enterprises reported receiving none or minimal intermediary support whereas conversely very few Scottish ventures reported this (10%). Moreover, although the participants from both countries reported similar levels of support in terms of funding and resourcing assistance the Scottish participants identified higher levels of assistance from intermediaries in other important areas such as consulting / advisory support and networking / business development assistance than their Australian counterparts. **Hence the final key finding from the qualitative data in this study:**

***Research finding # 23***

*A significant proportion of Australian social enterprises receive minimal or no assistance from intermediary organisations.*

**5.8: Summary of qualitative research findings**

**5.8.1: Research findings – Research Question 1**

*PRQ1: “What are the important factors in the development of sustainable social enterprises?”*

### **Dominant theme # 1: A commercially based growth orientation**

<i><b>Finding</b></i>		
<i><b>1</b></i>	<i><b>A commercially focused growth orientation is a major factor in the sustainability of social ventures.</b></i>	<i><b>New – extends prior theory</b></i>
<i><b>2</b></i>	<i><b>Diversification, via the addition of new services or by leveraging a physical asset, is a growth strategy utilised by social enterprises to achieve organisational sustainability.</b></i>	<i><b>Confirms and extends prior theory</b></i>
<i><b>3</b></i>	<i><b>Innovative, entrepreneurial business development activity is a factor in the sustainability of social enterprises.</b></i>	<i><b>Confirms prior theory</b></i>
<i><b>4</b></i>	<i><b>Contemporary social enterprises of all organisational structures view a commercial orientation as being central to their ability to achieve a sustainable enterprise.</b></i>	<i><b>Confirms and extends prior theory</b></i>
<i><b>5</b></i>	<i><b>Contemporary social enterprises of all organisational structures are strategically orientated towards achieving profitability.</b></i>	<i><b>Confirms and extends prior theory</b></i>
<i><b>6</b></i>	<i><b>Contemporary social enterprises re-invest profit in the business to sustain and grow the enterprise and enhance the venture’s social impact.</b></i>	<i><b>Confirms prior theory</b></i>

### **Dominant theme # 2: Networks, relationships and collaborative activity**

<i><b>7</b></i>	<i><b>Relationships, networks and collaborative activity were recognised as a key element of social enterprise sustainability in this study.</b></i>	<i><b>Confirms prior theory</b></i>
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### **Dominant theme # 3: Organisational capabilities**

<i>8</i>	<i>Organisational capability was identified as an important factor in the sustainability of a social venture.</i>	<i>Confirms prior theory</i>
<i>9</i>	<i>Organisational structure is viewed as a key strategic issue by contemporary social enterprise leaders.</i>	<i>Confirms prior theory</i>
<i>10</i>	<i>Contemporary social enterprises report selecting organisational structure based on pragmatic commercial factors rather than purpose or values.</i>	<i>New – extends prior theory</i>
<i>11</i>	<i>Marketing was identified as an important factor in social enterprise sustainability.</i>	<i>Confirms prior theory</i>

### **Dominant theme # 4: Resourcing**

<i>12</i>	<i>Organisational resourcing was identified as an important factor in the sustainability of social ventures.</i>	<i>Confirms prior theory</i>
<i>13</i>	<i>Financial resourcing was the predominant form of resourcing emphasised as critical to organisational sustainability.</i>	<i>Confirms prior theory</i>

### **Dominant theme # 5: Legitimacy**

<i>14</i>	<i>Organisational legitimacy was seen as playing an important role in the sustainability of social enterprises.</i>	<i>Confirms prior theory</i>
<i>15</i>	<i>Mission drives the motivation of contemporary social enterprise leaders.</i>	<i>Confirms prior theory</i>
<i>16</i>	<i>Increasing community awareness of social enterprise, including its impact, was viewed as an area of opportunity for the sector, particularly by the Australian participants.</i>	<i>Confirms and extends prior theory</i>



### 5.8.2: Key findings – Research Question 2

*SRQ 2: What are the important networks and relationships in this process?*

17	<i>Networks were viewed by the participants of this study as an important factor in social enterprise sustainability.</i>	<i>Confirms prior theory</i>
18	<i>Networks enable beneficial collaborative activity for social enterprises.</i>	<i>Confirms prior theory</i>
19	<i>Governmental relations were viewed as a significant factor in terms of social enterprise sustainability however the Australian participants reported less governmental support than their Scottish counterparts.</i>	<i>Confirms and extends prior theory</i>
20	<i>The sustainability of social enterprises is directly impacted by the nature and quality of the stakeholder relationships that they develop.</i>	<i>Confirms prior theory</i>
21	<i>Social enterprise leaders rely upon an extensive and broad based network of trusted relationships for assistance and advice in running their social enterprises.</i>	<i>Confirms and extends prior theory</i>

### 5.8.3: Key findings – Research Question 3

*SRQ3: What is the role of intermediaries in the development of sustainable social enterprises?*

22	<i>Intermediaries play a role in the development of sustainable social enterprises, however it needs to be targeted and monitored so as to deliver optimum benefit.</i>	<i>Confirms prior theory</i>
23	<i>A significant proportion of Australian social enterprises receive minimal or no assistance from intermediary organisations.</i>	<i>New – extends prior theory</i>

## 5.9: Concluding remarks

This chapter detailed and summarised the combined qualitative data generated from this project's interviews and open-ended survey questions. Five dominant themes relating to Research Question 1, representing the important factors that facilitate the sustainability of

their social enterprises, were shown to have emerged from the interview data. These themes: a commercially focused growth orientation, networks and collaboration, organisational capabilities, organisational resourcing and venture legitimacy, were summarised with their associated key findings. Further qualitative findings were presented relating to the nature of networks and relationships in the process of social enterprise sustainability and the role of intermediaries in social enterprise development.

The next chapter presents and summarises the important quantitative findings from this research.

## **CHAPTER 6: QUANTITATIVE RESULTS**

### **6.1: Introduction**

The proceeding chapter details the key findings relating to the quantitative data accumulated by this study. The section begins with a brief summary of how the data was collected before outlining the sample demographics. This is followed by a review of the study's reliability statistics and the data analysis procedures used in the research. Next, an analysis of the quantitative results in terms of the Research Questions is described including comparative analyses between the Australian and Scottish data as well as various social enterprise organisational structures.

### **6.2: Quantitative data collection**

The quantitative data in this project were generated by a specifically designed survey aimed at addressing the study's research issues. As outlined in the Methodology Chapter (4) the survey was developed deductively from the extant literature. The survey includes numerous validated instruments used in associated previous research activity, being pre-tested before general application. In total 93 surveys were undertaken with 53 being completed in Australia and 40 in Scotland. This enabled profiling of various social enterprise types as well as formative international comparative research to be usefully undertaken within the project.

Purposeful sampling was used to capture an array of social enterprise organisations based on the key characteristics outlined in Chapter 1 with a range of organisational types and structures being sourced that concurrently sought to achieve both social and economic goals.

### **6.3: Demographics and prior knowledge of survey respondents**

This section provides a summary of the key data related to participant demographics and prior knowledge sourced by the survey, illustrated in the following tables.

**Table 6.3: General demographics**

		All N=93	Australia N=53	Scotland N=40
Demographic		%	%	%
Sex	Male	64.5%	68%	57.5%
	Female	35.5%	32%	42.5 %
Age	>35	17.5%	19.5%	14%
	35-44	30.5%	29.5%	31%
	45-54	35.5%	31.5%	41.5%
	55-64	16.5%	19.5%	13.5%
	65+	0	0	0
Highest level of education achieved	PhD/Masters	20%	11%	35.5%
	Graduate education (not higher degree)	9%	6%	14%
	Bachelor's degree	45%	49%	36%
	College or vocational	18%	24%	11%
	High school certificate	8%	10%	3.5%
Years' operating this social enterprise	<1	5%	4%	7%
	1-5	45%	49%	41.5%
	6-10	23%	25%	17%
	11-15	14%	12%	17%
	16-20	5%	6%	3.5%
	21-25	4%	2%	7%
	26+	4%	2%	7%

An analysis of the data in Table 6.3 leads to the following observations:

- **Age:** The majority of respondents (66.7%) were aged between 35 and 54 years. The Australian and Scottish groups demonstrated similar age profiles although the Scottish group was slightly younger with 75% aged between 35-54 and only 15% aged 55 plus whereas the Australians reported 60.4% aged between 35-54 and 20.8% over 55.
- **Gender:** Taken as a whole the project participants were **split 64.5% male to 35.5% female**. However the Scottish group demonstrated a considerably higher proportion of female social enterprise leaders (47.5%) compared to the Australian cohort (30.2%).
- **Education:** Overall the respondents demonstrated a high level of educational achievement with **74% reporting a Bachelor degree or higher**. **The Scottish cohort however displayed significantly more respondents (49%) with post-graduate educational achievement**, as opposed to only 17% of the Australians. Similarly only 14.5% of the Scottish cohort had *not* achieved at least a Bachelor degree whereas for the Australians this was markedly higher at 34%.
- **Years' operating this social enterprise:** The ventures in the study were relatively young with the average number of years operating the enterprises across all participants **being just under three years**. Nearly half of the Australian (49%) and 41.5% of the Scottish groups reported having been operating their current social venture for 5 years or less.

### 6.3.1: Number of employees

The following table shows the cross-section of employee numbers across all respondents. There was almost no variation between the country groups. Whilst the most common number of employees reported was 6-10 persons at 28% nearly 55% reported 10 or less and significantly nearly 69% of participants reported 20 or less employees, a generally accepted classification of a small business. However only about 5% of the enterprises were sole operator businesses, demonstrating that employment is generated by these ventures, though they are predominantly small businesses.

**Table 6.3.1: Number of employees**

		Frequency	Per-cent	Valid Per-cent	Cumulative Per-cent
Valid	0	2	2.1	2.2	2.2
	1	3	3.2	3.2	5.4
	2-5	20	21.3	21.5	26.9
	6-10	26	27.7	28.0	54.8
	11-20	13	13.8	14.0	68.8
	21-50	17	18.1	18.3	87.1
	>51	12	12.8	12.9	100.0
	Total	93	98.9	100.0	
Missing System		1	1.1		
Total		94	100.0		

**6.3.2: Gross earnings**

Table 6.3.2 identifies the turnover of the social enterprises in this study. All results are in Australian dollars. The data shows that the respondents reported a wide range of turnover from very small, with 8.6 % reporting less than fifty thousand dollars, to 6.5% of the organisations reporting a turnover of more than ten million dollars. However the majority (70%) of the enterprises in this project reported a turnover of between half a million and five million dollars. Internationally there was little variation in these results.

**Table 6.3.2: Social enterprise turnover**

		Frequency	Per-cent	Valid Per-cent	Cumulative Per-cent
Valid	<50000	8	8.5	8.6	8.6
	<100000	5	5.3	5.4	14.0
	<500000	22	23.4	23.7	37.6
	<1million	21	22.3	22.6	60.2
	<5million	22	23.4	23.7	83.9
	<10million	9	9.6	9.7	93.5
	>10million	6	6.4	6.5	100.0
	Total	93	98.9	100.0	
Missing System		1	1.1		
Total		94	100.0		

### 6.3.3: Commencement of current operations

Table 6.3.3 shows that almost 69% of the participant organisations emerged between the years 2000 and 2011. From an international perspective 79% of the Australian participants emerged in this period as opposed to only 50% of the Scottish enterprises. In some ways this statistic is driven by the highly disproportionate number of Australian start-ups that occurred in 2009 alone as 13 out of the 14 reported that year were Australian. No data was requested in relation to why a given year was selected for organisational commencement by the participants.

**Table 6.3.3: Year social enterprise established**

		Frequency	Per-cent	Valid Per-cent	Cumulative Per-cent
Valid	1962	1	1.1	1.1	1.1
	1980	1	1.1	1.1	2.2
	1983	1	1.1	1.1	3.2
	1984	4	4.3	4.3	7.5
	1985	1	1.1	1.1	8.6
	1986	1	1.1	1.1	9.7
	1987	2	2.1	2.2	11.8
	1988	1	1.1	1.1	12.9
	1989	1	1.1	1.1	14.0
	1990	3	3.2	3.2	17.2
	1994	3	3.2	3.2	20.4
	1995	1	1.1	1.1	21.5
	1997	1	1.1	1.1	22.6
	1998	6	6.4	6.5	29.0
	1999	2	2.1	2.2	31.2
	2000	4	4.3	4.3	35.5
	2001	3	3.2	3.2	38.7
	2002	2	2.1	2.2	40.9
	2003	2	2.1	2.2	43.0
	2004	7	7.4	7.5	50.5
	2005	5	5.3	5.4	55.9
	2006	4	4.3	4.3	60.2
	2007	6	6.4	6.5	66.7
	2008	7	7.4	7.5	74.2
	2009	14	14.9	15.1	89.2
	2010	8	8.5	8.6	97.8
	2011	2	2.1	2.2	100.0
	Total	93	98.9	100.0	
Missing	System	1	1.1		
Total		94	100.0		

#### 6.3.4: Ownership

Consistent across international groups the vast majority (87%) of social enterprises were not family owned.

#### 6.3.5: Opened for business

The research participants indicated an internationally consistent broad range of working hours dedicated to their enterprise per week, ranging from 1 to 90 hours, with on average 44.4 hours being invested across the 93 respondents.

#### 6.3.6: Prior experience of the participant

The following key findings relate to the prior experiences reported by the participants:

- **Founder of the social enterprise:** Although 58.5% of the Australian cohort reported being a founder of the enterprise only 33% of the Scottish participants reported such. **Most participants (82%) reported having four or less founders** and the average number reported was three persons.
- **Number of social enterprises founded:** Over 40% of respondents reported previously founding another social enterprise. This was most pronounced amongst the Australians where 53% reported that they had commenced more than one such enterprise.
- **Number of social enterprises founded like this one:** The **vast majority (87%)** of all participants reported **having not founded another social enterprise similar** to their current venture.
- **Prior experience working in social enterprises:** Consistent across both country groups the average number of years previously working in a social enterprise was reported to be **3.25 years**. However, more significantly, the majority of respondents **(59%) declared that they had no prior experience of working in or operating a social enterprise prior to their current enterprise.**



### 6.3.7: Demographics analysed by social enterprise organisational type

The following tables identify key results from the demographic data in terms of comparison between the various organisational types reported by the respondents and identified in the previous chapter (Table 5.3.3.1). To allow for meaningful sample size these structural categories are a composite of both country groups and although throughout the proceeding chapter the results for all groups are reported, given that the sample size of the Co-Operative and Mixed groups are small these two groups are not included in the majority of the analyses, however, where appropriate potentially significant issues are noted. Five respondents failed to answer this question.

**Table 6.3.7: Significant demographics by organisational type**

	For-Profit N=23	NFP N=42	Co-Op N=7	Mix N=15
% female founders or leaders	30.4%	45.2%	14.3%	27.3%
% under 45 years of age	60.8%	38.1%	42.9%	33.3%
% operating their enterprise for 5 or less years	73.9%	40.4%	42.9%	27.3%
% of social enterprises with 2 or less founders	73.9%	57.1%	0%	0%
% no prior experience of working in social enterprise	69.5%	52.3%	57.1%	53.3%
% founded more than 1 social enterprise in total	43.4%	40.4%	14.3%	73.3%
% founded another same as current social enterprise	43.4%	35.7%	42.9%	53.3%
% with 20 or less employees	78.2%	66.6%	57.1%	53.3%
% with turnover less than \$100,000	26.1%	14.2%	0%	13.3%
% that are family owned	43.4%	0%	14.3%	0%
% with Bachelor degree or higher	69.5%	83.3%	57.1%	73.3%
% started after 2008	47.8%	23.9%	0%	20%

When comparing the various organisational types it is apparent that the For-Profit category tended to have been started more recently with over 73.9% starting in the last 5 years as opposed to only 40.4% of NFPs. The For-Profits tended to be run by younger business

leaders, the majority (60.8%) being less than 45 years of age whereas the majority of NFPs reported being over 45 years. They also have less prior experience of working in a social enterprise before their current venture with nearly 69.5% reporting no prior experience which is considerably higher than the 52% reported by the NFP leaders. However, NFP organisations (45.2%) are more likely to have a woman leading the operation than a for-profit social enterprise (30.4%). For-profits also report having fewer employees overall than the other groups with over 78.2% having less than 20 employees as well as slightly lower levels of turnover and they are also much more likely to be family owned.

#### **6.3.8: Summary of key demographic findings**

- *Social enterprises are predominantly small businesses employing less than 20 people.*
- *The majority of social entrepreneurs/social enterprise leaders in this study have not previously established a social enterprise similar to their current venture.*
- *Moreover most social enterprise founders have not had experience running a social enterprise prior to their current venture.*
- *However over forty per cent of the social enterprise leaders reported having previously established another social enterprise, but of a different type.*
- *Social enterprises are typically run by well-educated individuals aged over 35 with a relatively high proportion of women in the leading organisational role, particularly in ventures that are structured as NFP.*
- *For-Profit social enterprises are typically more recently established, smaller, run by younger individuals, generally males, than other social enterprise organisational types.*
- *The entrepreneurs /leaders of For-Profit social enterprises have less prior experience of working in social ventures than their counterparts in other organisational forms such as NFPs.*

#### **6.4: Quantitative data analysis**

As outlined in Chapter 4, given the predominantly exploratory nature of the research, the primary aim of the survey was to produce a broad range of descriptive statistics via frequencies and percentages of the responses generated using SPSS statistical software. However, in addition the survey applied two previously validated psychometric measures,

namely Trust in Networks and Experience of Networks (Brunetto & Farr-Wharton 2007). Although the sample size was inadequate to produce a statistically valid regression model (Hair et al. 2010; Tabachnik & Fidell 2007) a correlation was conducted to explore the role that trust had on social enterprise growth. The chapter proceeds to detail these quantitative results being specifically aligned to the appropriate Research Questions.

## **6.5: Quantitative results – Research Question 1**

The ensuing section details the significant quantitative results obtained that address the project's central research issue, namely:

*PRQ1: What are the important factors in the development of sustainable social enterprise?*

Firstly, results relating to social enterprise growth, both historic performance and anticipated activity are reviewed before the data relating to various measurements of organisational success are detailed. These results provide important insights into the strategic intentions of the participants as well as the way that these ventures prioritise organisational goals and evaluate success for their organisations, serving to illustrate a key factor in social enterprise sustainability that emerges from this study.

Further data relating to the respondents' perspectives upon profitability and cost recovery is then identified. Finally survey results pertaining to the other factors identified by the respondents as influencing social enterprise sustainability, namely resourcing, organisational capabilities and legitimacy are analysed. As in Chapter 5 the results pertaining to the importance of networks, another key sustainability factor recognised in the data, are then discussed in the following section as this specifically relates to SRQ 2 so as to avoid undue duplication.

### **6.5.1: Growth**

The participants were asked to report on the growth of their operation from several perspectives including prior performance over the past two years and, importantly, their expectations and strategic growth intentions for the future. As the following tables identify, the vast majority of participants (81.7%) experienced moderate to high growth over this period with nearly 70% identifying a growth rate of over 10% and 50% of all participants declaring that growth was over 20% during this period.

**Table 6.5.1a: Growth of social enterprises over the last two years**

		Frequency	Per-cent	Valid Per-cent	Cumulative Per-cent
Valid	Low	17	18.1	18.3	18.3
	moderate	33	35.1	35.5	53.8
	High	43	45.7	46.2	100.0
	Total	93	98.9	100.0	
Missing System		1	1.1		
Total		94	100.0		

**Table 6.5.1b: Growth rate of social enterprises over the last two years**

		Frequency	Per-cent	Valid Per-cent	Cumulative Per-cent
Valid	<5%	15	16.0	16.3	16.3
	5-10%	13	13.8	14.1	30.4
	11-20%	18	19.1	19.6	50.0
	21-50%	30	31.9	32.6	82.6
	>50%	16	17.0	17.4	100.0
	Total	92	97.9	100.0	
Missing System		2	2.1		
Total		94	100.0		

The respondents were further asked their expectations of future growth for their enterprises as well as their strategic intentions toward the attainment of growth. As the next two tables show, the overwhelming majority of respondents (95.7%) anticipate that their social enterprise will grow over the next two years. Moreover a similar overwhelming majority of respondents (96.8%) indicate that they are intending to pursue deliberate strategies to achieve growth in their markets.

**Table 6.5.1c: Future growth intentions of social enterprises**

		Frequency	Per-cent	Valid Per-cent	Cumulative Per-cent
Valid	decrease in size	2	2.1	2.2	2.2
	stay same	2	2.1	2.2	4.3
	grow a bit	35	37.2	37.6	41.9
	grow alot	53	56.4	57.0	98.9
	merge	1	1.1	1.1	100.0
	Total	93	98.9	100.0	
Missing System		1	1.1		
Total		94	100.0		

**Table 6.5.1d: Growth strategies of social enterprises**

		Frequency	Per-cent	Valid Per-cent	Cumulative Per-cent
Valid	no too hard to employ	1	1.1	1.1	1.1
	yes via natural growth	2	2.1	2.2	3.2
	yes via some strategies	49	52.1	52.7	55.9
	yes via lots of strategies	41	43.6	44.1	100.0
	Total	93	98.9	100.0	
Missing System		1	1.1		
Total		94	100.0		

The growth related results are summarised in the next table (Table 6.4.1.1e).

**Table 6.5.1e: Growth summary and comparative analysis**

	All N=93	Australia N=53	Scotland N=40
% that reported growth rate of over 10% last 2 years	69.9%	71.7%	65%
% anticipate growth next 2 years	95.7%	94.5%	97.5%
% that are undertaking strategies to grow their market	96.8%	94.5%	100%

**Thus the social enterprise leaders in this study report an overwhelming, ongoing and active strategic focus towards growing their enterprises. Furthermore these results are consistent across both the Australian and the Scottish participants. Hence:**

***Quantitative Research finding # 1***

***Contemporary social enterprises identify a clear expectation of and a strategic orientation towards organisational growth.***

**6.5.2: Growth comparisons between organisational types**

The following tables highlight the significant findings relating to growth in relation to the four social enterprise structural categories discussed previously. The first table looks at how the social enterprise leaders in the various categories viewed growth as a measure of success and then specifically to what extent they expected their enterprise to grow over the next two years.

**Table 6.5.2a: Growth expectation by social enterprise organisational type**

	For -Profit N=23	NFP N=42	Co-Op N=7	Mixed N=15
% stated that growth/ development important measure of success	79%	74%	71.5%	54.5%
% stated they expect to grow a lot over next 2 years	83%	43%	43%	66.5%

Although all categories view organisational growth and development as important, those organised as For-Profit social enterprises attach a higher degree of importance here than the alternative structures. Moreover there is a significantly higher expectation of future growth amongst the social enterprises structured as For-Profits than the NFP category (83% vs. 43%). The respondents with mixed structures, at 66.5%, seemingly reflect a mixed strategic philosophy, sitting halfway between the other two groups.

The next table illustrates that although all categories indicated an overwhelming intention to implement growth strategies, the For-Profit social enterprises indicated far higher prior rates

of growth than the other groups and particularly the NFP group with 65% of For-Profits reporting growth of over 20% whereas only 43% of NFPs achieved this level.

**Table 6.5.2b: Growth strategies and experience of significant growth by organisational type**

	For-Profit N=23	NFP N=42	Co-Op N=7	Mixed N=15
% stated intending to employ strategies to grow	100%	93%	100%	100%
% reported growth of over 20% last 2 years	65%	43%	57%	60%

**Hence the next key finding:**

***Quantitative Research finding # 2***

***For-Profit social enterprises viewed growth more importantly, are growing more quickly and are anticipating higher rates of growth in the future.***

**6.5.3: Measures of social enterprise success**

The research was interested in gauging how the social enterprise leaders in the study measured success for their organisations. The following table identifies participant responses to a set of five point scaled questions relating to how success is measured in terms of their social venture. The percentages reported here are the combined positive responses recorded by the participants representing responses that either mildly or strongly agreed to the tabled questions. There was a high degree of consistency between the Australian and Scottish social enterprises here, therefore only the aggregated results are recorded however, as the table shows there are differences when organisational type is considered.

**Table 6.5.3: Measures of social enterprise success**

	All N=93	For-Profit N=23	NFP N=42	Co-operative N=7	Mixed N=15
Degree to which we achieve our declared goals	89.3%	91.7%	88%	100%	80%
Our ability to ensure service continuity	91.5%	91.7%	93 %	100%	73.3%
Size of our growth and development	74.2%	78.5%	73.9%	71.4%	54%
Number of new services that can be offered to the community	31.2%	30.4%	35.7%	42.9%	20%
Answering needs not addressed by existing services	81.7%	78.2%	81%	85.7%	80%
Commercial / financial measurements	89.3%	78.2%	93%	100%	93.3%

Table 6.4.1.3 identifies that the vast majority of respondents (89.3%) similarly rate the attainment of commercial and financial goals as achieving the organisations declared goals and ensuring service continuity. The introduction of new services was not viewed as such, with less than one third of respondents identifying this as an important measure of success. However surprisingly, and perhaps somewhat counter-intuitively, the For-Profit category, although high, attached a lower importance to the achievement of financial/commercial goals at 78.2% to the NFP group that recorded 93%.

**Overall this leads to the next key quantitative finding:**

***Quantitative Research finding # 3***

***Commercial/financial performance is viewed as a key measure of success by social enterprise leaders.***



#### 6.5.4: Profitability and cost recovery

To gain an understanding of the commercial performance of the social enterprises in this study the respondents were also asked whether, as a function of their commercial activities, they recovered all of their operational costs. As the following table shows 58 % of participants reported achieving this milestone with similarity evidenced across organisational type. However there was considerable cross-country variation within this result. Although nearly 70% of the Australian social enterprise leaders reported achieving this goal only 45% of the Scottish group recorded this accomplishment.

**Table 6.5.4a: Cost recovery by social enterprises**

	All N=93	Australia N=53	Scotland N=40	For-Profit N=23	NFP N=42	Co-Op N=7	Mix N=15
Recover all costs	58%	69.8%	45%	61%	57%	71.5%	53.3%

#### *Quantitative Research finding # 4*

*Despite a considerable proportion (42%) of social enterprises stating that they do not recover all of their costs, Australian social ventures are considerably more likely than their Scottish counterparts to do so.*

To gain further insight into the commercial intentions of the respondents sixty-one of the participants were asked an ancillary question seeking to gain an insight into their organisational orientation, as opposed to their actual performance, with regard to cost recovery. Of these 72% stated a strategic orientation toward achieving more than full cost recovery or profit. The following table examines this data by organisational category.

**Table 6.5.4b: Cost recovery orientation by organisational type**

	All N= 61	For-Profit N= 19	NFP N=30	Co-Op N=6	Mixed N=6
% stated a <i>more</i> than full cost recovery orientation	72.1%	79%	66.7%	66.7%	83.3%

These results identify that the For-Profit structures demonstrated a considerably higher orientation (79%) towards achieving a more than full cost recovery, or in other words a surplus, than the NFP (66.7%) organisational types.

**However importantly the majority of all social enterprises reported an orientation towards profitability and thus the next key finding:**

***Quantitative Research finding # 5***

***The majority of social enterprises of all organisational types (72%) report a strategic orientation to achieving more than full cost recovery.***

**6.5.5: Resourcing**

The participant social enterprises were asked a number of survey questions relating to alternative resourcing streams for their social enterprises other than their trading activities. The following table summarises the percentage of respondents that reported receiving resourcing support through the various alternative channels tabled below.

**Table 6.5.5a: Sources of funding for social enterprises**

	All N=93	Australia N=53	Scotland N=40
Public funds	42%	24.5%	65%
Own funds	34.4%	37.7%	30%
Corporate support	59.1%	58.5%	60%
Philanthropic	28%	26.4%	30%
In-kind donations	42%	41.5%	42.5%
Cash donations	18.3%	13.2%	25%

The results indicate that in general the survey participant's access multiple channels to access resources to boost funding sourced from their trading activities including public funding (42%), philanthropic (28%) and their own funds (34.4%). Almost half of the participants (42%) also reported in-kind donations indicating the importance of volunteering to the sector. Support from corporations as a source of resources rated comparatively highly in both locations and 59% overall. This corporate support was reported as taking a number of forms such as pro bono work as well as direct funding.

Overall the results are broadly similar, however appreciable variation is apparent in terms of public funding, with the Scottish social enterprises reporting far greater public funding support at 65%, compared to only 24.5% reported by the Australians. Moreover the Scottish participants also reported far higher direct cash donations than their Australian counterparts.

Further analysis of the resourcing results in relation to social enterprise organisational type, irrespective of nationality, is detailed in the following table.

**Table 6.5.5b: Comparative resourcing by social enterprise category**

	For-Profit N=23	NFP N=42	Co-Op N=7	Mixed N=15
% that stated receive public funds	8.5%	52.3%	57.1%	73.3%
% that stated receive philanthropic funds	4.2%	38%	14.3%	33%
% that stated receive in-kind support	26%	47.8%	42.9%	73.3%
% that stated used own funds	56.5%	21.5%	14.3%	33%
% that stated receive corporate support	13%	52.3%	14.3%	66%

These results indicate important differences in resourcing support between the social enterprises with a For-Profit structure and their structural counterparts. The For-Profit social enterprise respondents report considerably less support from external funders such as government, corporations and philanthropic sources than the NFP ventures, suggesting a far higher reliance upon trading income as well as a greater requirement on using their own personal funds. For example, whereas 52% of the NFPs reported receiving public funds only 8.5% of the For-Profit group received public funding with similar relationships apparent for corporate and philanthropic assistance. Overall the group with a mixed structure reports the most support across the various categories.

As detailed in Chapter 4 a small number (14) of survey only respondents sourced towards the end of the data collection process were asked ancillary questions relating to the relative importance they attached to the various resource streams. The following table details these results.

**Table 6.5.5c: Relative importance of funding sources**

N=14	1. Not important	2. Slight importance	3. Fairly important	4. Very important	5. Extremely important	Average
Importance of public funds	1	1	2	6	4	3.8
Importance of own funding	8	0	1	3	2	2.35
Importance of philanthropic funds	5	1	2	5	1	2.70
Importance of cash donations	4	3	0	5	2	2.85
Importance of in-kind donations	5	2	2	3	2	2.85

These exploratory findings based on a small sample are purely indicative but show that 86% of this group view public funds as fairly to extremely important for their social enterprise. Other types of funding elicited more polarised results, for example 57% declare using their own funds as not important, yet 36% see this as very or extremely relevant to their enterprise. Philanthropic funding, cash donations and in-kind donations are similarly polarised.

**Taken overall, the results relating to resourcing lead to the following key quantitative findings:**

***Quantitative Research finding # 6***

*Social enterprises are multi-resourced organisations, accessing a range of different resource channels to supplement their trading activities.*

***Quantitative Research finding # 7***

*Social enterprises view public funding as a key element of their organisational resourcing “mix” however the Scottish participants demonstrated higher levels of both public funding and cash donation than their Australian counterparts.*

### *Quantitative Research finding # 8*

*Social enterprises structured as For-Profit were considerably more likely to receive personal funding from the ventures founder/leader than NFP models.*

#### **6.5.6: Social enterprise organisational capabilities**

Another important factor in social enterprise sustainability explored within the survey was that of organisational capabilities. The results of a variety of questions that targeted this area are summarised in the following table.

**Table 6.5.6a: Organisational capabilities of social enterprises**

	All N=93	Australia N=53	Scotland N=40
% used planning a lot in the Enterprise	91.4%	86.8 %	97.5 %
% reported Board directly involved in the enterprise	82.7%	75.5%	92.5 %
% that undertake regular training	81.7%	75.5 %	90 %
% reported having relevant expertise in the enterprise	95.7%	94.3%	97.5%
% reported need high level of expertise in their enterprise	82.7%	75.5 %	90%
% that use a business plan	90.3%	86.8%	95%

These results identify a very high level of importance connected by the social enterprise leaders in this study with organisational capabilities such as expertise, planning, Board involvement and training. This focus was largely consistent across both the Australian and Scottish participants although the Scots recorded higher levels than the Australians in terms of planning (97.5% vs. 86.8%), Board involvement (92.5% vs. 75.5%) and training (90% vs. 75.5%).

When assessing organisational capabilities across the various social enterprise categories there is limited variation between the various models as the table below shows.

**Table 6.5.6b: Organisational capabilities by social enterprise type**

	All N=93	For-Profit N=23	NFP N=42	Co-Operative N=7	Mixed N=15
Planning used a lot in the enterprise	91.4%	91.7 %	93 %	71.4%	100%
% Board directly involved in the enterprise	82.7%	74%	83.3%	100%	93.3%
% that undertake regular training	81.7%	74%	88 %	57.1%	73.3%
% reported having relevant expertise in the enterprise	95.7%	95.8%	97.7%	100%	93.3%
% reported need high expertise in their enterprise	82.7%	82.6 %	81%	57.1%	93.3%
% that use a business plan	90.3%	86.9%	93%	85.7%	100%

The final fourteen surveyed participants discussed previously were asked ancillary questions to determine the importance that they attached to regular training and organisational planning. The following table highlights the results of this limited sample which, though based on very limited data, support the previous findings.

**Table 6.5.6c: Importance of organisational capabilities**

N=14	1. Not important	2. Slight importance	3. Fairly important	4. Very important	5. Extremely important	Average
Importance of regular training	1	0	4	3	6	3.9
Importance of planning	0	0	1	8	5	4.3
Importance of expertise relevant to clients	0	0	2	6	6	4.3

**Thus when considering organisational capabilities, given that the involvement of social enterprise Boards is covered later in this chapter, this leads to the key quantitative finding:**

***Quantitative Research finding # 9***

***Organisational capabilities such as relevant expertise, training and planning are an important factor in determining social enterprise success.***

### 6.5.6.1: Impact of location

The research further sought to identify to what extent location of the enterprise played an important role in the sustainability of a social venture. Hence the respondents were asked whether the location of their organisation was selected because it gave them work/life balance, was close to their clients, close to similar types of social enterprises, provided lifestyle options and/or was cost effective.

Overall the participants did not view issues of location to be an important factor in the sustainability of their social enterprises although 63% mildly or strongly agreed that it was selected to be close to their clients. However only 58% selected location based on cost and 57% indicated that it was not important to be close to social ventures of the same type. The results of these questions are located in Appendix 4.

*Hence location was not viewed as an important factor in the sustainability of social enterprises by the participants of this study.*

### 6.5.7: Organisational Legitimacy

The level of institutional support and public awareness of the social enterprises in this study was explored by examining the degree to which the respondents reported affirmatively to questions surrounding issues of public awareness and governmental support for their social enterprises.

**Table 6.5.7a: Social enterprise legitimacy**

	All N=93	Australia N=53	Scotland N=40
Media attention received	55.9%	60.4%	50%
% reported a general public awareness of the social enterprise	63.4%	66%	60%
% that identified issues dealing with the broader public	39.7%	45.2%	30%
Support from local government	72%	66%	80%
Support from government	76.3%	69.8%	85%

These results indicate far greater governmental support for the Scottish social enterprises than their Australian counterparts. Averaged across the two levels the Scottish participants reported an 82.5% level of governmental support whereas the Australians recorded only 67.9%. Public awareness on the other hand was reported as being reasonably high at 63.4%

overall and broadly consistent although the Australians reported marginally higher awareness, media attention and issues with the public.

The following table examines how the various social enterprise categories reported issues of legitimacy.

**Table 6.5.7b: Organisational legitimacy in relation to social enterprise type**

	All N=93	For-Profit N=23	NFP N=42	Co-operative N=7	Mixed N=15
Media attention received	56%	43.4%	57%	85.5%	73.3%
% reported a general public awareness of the social enterprise	63.5%	52%	59.5%	100%	80%
% that identified issues dealing with the broader public	39.8%	43.4%	31%	85.5%	53.3%
Support from local government	72%	65.2%	73.9%	71.4%	93.3%
Support from government	75.3%	74%	83.3%	71.4%	80%

Overall the various social enterprise organisational types reported fairly high levels of governmental support although the For-Profit group reported lower levels than those structured as NFP.

The final fourteen surveyed participants were asked several ancillary questions to determine how important they perceived public awareness, media attention, and the support of all levels of government to be for their enterprise. The following table highlights these results that, although based upon a small sample, are suggestive of the importance that social enterprises place upon both governmental support and public awareness of their enterprises.

**Table 6.5.7c: Importance of legitimacy to social enterprises**

N=14	1. Not important	2. Slight importance	3. Fairly important	4. Very important	5. Extremely important	Average
Importance of public awareness	0	0	2	7	5	4.2
Importance of media attention	0	2	6	5	1	3.35
Importance of local government support	0	1	2	6	4	4.00
Importance of central government support	0	0	4	6	4	4.00



**Thus leading to the following overall key findings:**

***Quantitative Research finding #10***

*Social enterprises view public awareness as very important to the operation of their organisations.*

***Quantitative Research finding #11***

*Social enterprises view the support of government as very important to the operation of their enterprises with Scottish social enterprises reporting more governmental support than their Australian counterparts.*

**6.6: Quantitative results – Research Question 2**

The following section details the quantitative results obtained that address the project's second research question relating to the sustainability of social enterprises, namely:

- *SRQ 2: What are the important networks and relationships in this process?*

Hence the section analyses the results relating to the important relationships that influence the development of sustainable social enterprises as reported by the participants of this study. Firstly, the number of trusted persons that assist the social enterprise leaders in business-related matters and the strength of their relationships with these individuals are explored. Next, the interpersonal connections between the trusted persons identified by the respondents are examined in terms of the strength of these secondary relationships. Finally, the importance of various groups in terms of their input into the decision-making process for the social ventures is examined.

**6.6.1: Trusted persons that social enterprise leaders openly discuss business with**

The participants were asked to indicate the number of trusted persons that they openly discussed business issues with. The following table shows that the majority of respondents (62%) indicated a group of 3-10 trusted persons in this capacity. A considerable number of the social enterprise leaders in this study (29%) reported having sixteen or more such relationships however very few, 5%, reported having two or less key relationships, with 100% of respondents noting at least one contact that they discuss business with.

**Table 6.6.1a: Number of trusted people that participants openly discuss business with**

Number of trusted persons	All N=93	Australia N= 53	Scotland N= 40
0	0%	0%	0%
1	1.1%	1.9%	0%
2	3.2%	3.8%	2.5%
3-5	36.6%	30.2%	45%
6-10	24.7%	20.8%	30%
11-15	7.5%	5.7%	10%
16+	26.9%	37.7%	12.5%

Thus the table indicates that the participants report discussing business with relatively large numbers of trusted people with over 59% of all respondents declaring six or more such relationships. There are some important cross-country differences apparent in these profiles. Most significantly for example, nearly 38% of the Australian social enterprise leaders reported a propensity to liaise with sixteen or more trusted persons, whereas only 12.5% of the Scottish group reported having as many trusted relationships.

**This leads to the following important quantitative findings:**

***Quantitative Research finding # 12***

***Social enterprise leaders overwhelmingly (95%) discuss business issues with three or more trusted persons with the majority (59%) discussing business openly with six or more such persons.***

***Quantitative Research finding #13***

***Australian social enterprise leaders discuss business with larger groups of trusted persons than their Scottish counterparts.***

The following table analyses these relationships in relation to organisational type.

**Table 6.6.1b: Number of trusted people that participants openly discuss business with by organisational type**

Number of persons	All N=93	For-Profit N=23	NFP N=42	Co-Op N=7	Mixed N=15
0	0%	0%	0%	0%	0%
1	1.1%	4.2%	0%	0%	0%
2	3.2%	0%	2.3%	14.3%	0%
3-5	36.6%	52.1%	30.9%	28.6%	27.3%
6-10	24.7%	26%	26.1%	14.3%	27.3%
11-15	7.5%	4.2%	11.9%	0%	6.7%
16+	26.9%	17.3%	30.9%	42.9%	33.3%

These results show a difference between the approach taken by the For-Profit participants and the other social enterprise organisational models. Whereas 69% of the NFP group report to having six or more trusted relationships that they discuss business issues with, only 47.5% of the For-Profit group identify discussing issues with this many trusted persons.

### 6.6.2 Strength of ties with trusted persons

To further ascertain the strength of the relationship between the participant and their trusted connections question # 43 in the survey asked the participants:

*“How well do you personally know the people you identified as trusted persons from whom you receive information, advice or other resources that help you operate your social enterprise?”*

The following table shows the aggregate percentages of the respondents that answered “fairly well/very well/ or closely” to this question, thus being indicative of a strong relationship with the individual.

**Table 6.6.2a: Strength of relationships with trusted persons**

Person	N	All	Australia	Scotland
A	91	95.6%	96.2%	94.7%
B	90	94.4%	96.2%	92.1%
C	89	89.9%	88.5%	91.9%
D	77	93.5%	92.7%	94.4%
E	66	86.4%	94.4%	76.7%
F	47	83%	87.5%	78.3%
G	34	67.6%	66.7%	68.7%

The following table now considers the strength of participant relationships with these same trusted persons according to organisational structure irrespective of nationality. The results indicate that strong ties exist here irrespective of organisational structure however the NFP category exhibits a more consistent strength across a greater number of contacts than their For-Profit counterparts. The results for the small sample Co-operative group were adversely affected by missing data and therefore left out in this instance.

**Table 6.6.2b: Strength of relationships with trusted persons by organisational type**

Person	NFP N= 42	For-Profit N= 23	Mixed N= 15
A	95.2%	100%	93.3%
B	93%	95.7%	93.3%
C	95.2%	87%	80%
D	95.2%	91.3%	93.3%
E	88.2%	78.2%	93.3%
F	90.4%	60.8%	86.6%
G	69%	56.5%	No Data

**Therefore overall these results empirically identify that across both country groups and organisational type the social enterprise leaders in this study display strong relationships with their trusted connections leading to the next quantitative finding:**

***Quantitative Research finding # 14***

***Social enterprise leaders possess strong relationships with the trusted persons that they discuss business with.***

**6.6.3: Strength of relationships between the trusted persons**

A further survey question then explored the strength of the relationships *between* the nominated trusted persons themselves. To do so the participant was asked to evaluate how well the trusted persons know each other, again using a five-point scale. The ensuing table shows both the aggregated percentage of respondent answers that indicated that the individuals knew each other fairly well, very well or closely i.e. representing a strong relationship, and conversely the percentage that reported that the individuals knew each other “not at all” and therefore representative of a weak or non-existent tie.

**Table 6.6.3a: Strength of relationships between the trusted persons**

Person	N	Know well	Not at all
A	91	67.1%	17.6%
B	89	50.6%	27%
C	78	48.7%	26.9%
D	67	40.3%	32.8%
E	51	49%	33.3%
F	46	30.4%	41.3%
G	83	48.2%	25.3%
H	74	37.8%	33.8%
I	65	30.8%	46.2%
J	49	24.5%	42.9%
K	45	37.8%	42.2%
L	72	51.4%	33.3%
M	64	32.1%	42.2%
N	39	33.3%	46.2%
O	29	31%	48.3%
P	59	35.6%	45.8%
Q	47	23.4%	44.7%
R	37	27.1%	54.1%
S	46	30.4%	45.7%
T	35	28.5%	42.9%
U	35	34.3%	51.4%

The results indicate that the vast majority of these relationships are reported to be much weaker than the relations between the participant and the individuals themselves. Indeed in 72% of the potential combinations over 40% of participants report that the individuals do not know each other at all. **The results therefore suggest weak relationships between the participant's close connections themselves, hence the key finding:**

***Quantitative Research finding # 15***

***The trusted persons that discuss business with the social enterprise leaders in this study possess weak ties between themselves.***

The next table provides a comparative analysis of the strength/ weakness of these relationships according to nationality and also organisational type by considering the number of connections where the participants reported that the individuals knew each other “not at all”.

**Table 6.6.3b: Strength of relationships between the trusted persons by location and organisational type**

Person	Australia	Scotland	For-Profit	NFP
A	13.2%	23.7%	12.5%	20%
B	26.9%	27%	21.7%	25%
C	23.8%	30.6%	31.6%	25.6%
D	35.1%	30%	25%	30.3%
E	25.9%	41.7%	27.3%	24.1%
F	28%	57.1%	66.7%	38.5%
G	20.4%	32.4%	28.6%	18.6%
H	34.1%	33.3%	44.4%	34.2%
I	36.1%	58.6%	42.9%	41.2%
J	34.6%	52.2%	50%	42.9%
K	41.7%	42.9%	77.8%	30.8%
L	30%	27.5%	38.9%	30.6%
M	36.1%	50%	23.1%	41.2%
N	38.9%	52.4%	40%	42.1%
O	50%	47.4%	85.7%	25%
P	41.9%	50%	25%	47.1%
Q	41.7%	47.8%	77.8%	29.6%
R	55.6%	52.6%	75%	45.5%
S	33.3%	59.1%	44.4%	33.3%
T	50%	35.3%	37.5%	40%
U	55.6%	47.1%	50%	50%

(Note: The Co-Operative and Mixed group samples did not provide usable data here.)

These results indicate that the Scottish trusted connections have relatively weaker connections between themselves than their Australian counterparts as in 71% of the comparative situations above the Scots have higher levels of not knowing the other person. Similarly the For-Profit enterprises demonstrate having weaker connections between the key trusted persons in 62% of occasions, than those that relate to the NFP organisations.

**This leads to the following quantitative findings:**

***Quantitative Research finding # 16***

***Scottish social entrepreneurs report weaker ties between the trusted persons that they discuss business with than is the case in the Australian context.***

### *Quantitative Research finding # 17*

*The entrepreneurs/leaders of For-Profit social enterprises report weaker ties between their trusted relations than is the case in the NFP context.*

#### **6.6.4: Influence of networks on decision making**

Survey question #40 asked the respondents to rate the importance of various groups, individuals and networks as well as various participant experiences and attributes in terms of their input into the decision-making process for the social ventures in this study. Based upon a five-point scale the following table illustrates the aggregate percentages as reported by the respondents combining the answers that were scored fairly, very and extremely important.

**Table 6.6.4a: Important influences on managerial decision making**

	All N=93	Australia N=53	Scotland N=40
Market knowledge	97.8%	96.2%	100%
Family	33.3%	39.6%	27.5%
Customer problems	100%	100%	100%
Clients	100%	100%	100%
How to serve customers	98.9%	98.1%	100%
Professional acquaintances	91.3%	94.3%	87.5%
Social acquaintances	60.2%	58.5%	62.5%
Industry experience	93.5%	94.3%	92.5%

Prior experience	85.9%	88.7%	82.5%
Business associates/partners	90.3%	90.6%	90%
Business networks	92.5%	92.5%	90%
Friends	43%	45.3%	37.5%

The overwhelming majority of participants view knowledge of client problems and relations (100%) as critical to their organisational decision making. **Moreover they view their intra-organisational relationships (90.3%) and business /professional networks (91.3-92.5%) as very important to the decision-making process.** Conversely non- commercial and non-professional social acquaintances including family and friends are not seen to be as critical by the respondents although general social connections are rated highly by about 60% of participants. Also specific knowledge and experience of and within the market/field they operate in is seen as important to the vast majority of participants (c.90%) in terms of organisational decision making.

Comparatively the Scottish and Australian cohorts reported very similar views in terms of the importance of these decision-making factors although the Australians indicated a higher propensity to include family and friends in the decision-making process, though this still had a low importance attached.

The data also revealed how the various structural types of social enterprise viewed the important influences on their decision-making capacity as the following table highlights.



**Table 6.6.4b: Important influences on managerial decision making by organisational type**

	For-Profit N=23	NFP N=42	Co-Op N=7	Mixed N=15
Market knowledge	100%	95.4%	100%	100%
Family	43.4%	33.3%	42.8%	93.3%
Customer problems	100%	100%	100%	100%
Clients	100%	100%	100%	100%
How to serve customers	100%	97.5%	100%	100%
Professional acquaintances	82.6%	92.8%	100%	93.3%
Social acquaintances	47.9%	64.4%	85.7%	53.3%
Industry experience	91.7%	92.8%	100%	93.3%
Prior experience	78.2%	85.7%	100%	86.7%
Business associates/partners	86.9%	88.1%	100%	93.3%
Business networks	86.9%	88.1%	100%	100%
Friends	21.7%	54.7%	71.4%	26.6%

These results indicate that there is a high level of similarity between the social enterprise types in terms of the influences upon their decision making with the important issues broadly

the same as in the aggregated results discussed above. However of note is the fact that the NFP type enterprises indicated a greater propensity to rely on friends and social connections than the For-Profit structures.

#### **6.6.5: Board involvement**

The previous section identified intra-organisational relations as being salient in the operation of social ventures. An important component of intra-organisational support is often found in an enterprise's Board of Directors. The following table identifies the participants' level of recognition that their Board played a supportive role in the operation of the venture.

**Table 6.6.5a: Board input**

	All N=93	Australia N=53	Scotland N=40	For-Profit N=23	NFP N=42	Co-Op N=7	Mixed N=15
% where Board involved	82.8%	75.5%	92.5%	74%	81%	100%	93.3%

The participants reported a high level of support from their Boards (83%) however this appears to be significantly more apparent in Scotland (92.5%) than Australia (75.5%). All of the social enterprise organisational types similarly acknowledged Board support however the For-Profit structure is a little lower, though still relatively strong, than the other forms at 74%.

The final 14 surveyed participants of this project were also asked an ancillary question to determine not just whether they received active support from their Board but how important they perceived this support to be. The following table highlights the results of this limited sample.

**Table 6.6.5b: Importance of Board support**

N=14	Not important	Slight importance	Fairly important	Very important	Extremely important	Average
Importance of Board level support to your enterprise	0	1	5	8	0	3.5

This sample indicate that 100% of social enterprises see support from their Board as important with 93% expressing that this is in fact fairly to very important.

**Thus taken overall these results suggest the following key finding which furthermore correlates to the findings relating to the importance of intra-organisational relations and specifically Board involvement highlighted earlier in this chapter:**

*Quantitative Research finding # 18*

*Boards are viewed as an important provider of assistance to social enterprises, however Australian social enterprise leaders report considerably lower levels of support from their Boards than their Scottish counterparts.*

## **6.7: Quantitative results – Research Question PRQ2**

The proceeding section details the quantitative results relating to the second primary research question, namely:

- *PRQ2: What is the role of trust in the development of sustainable social enterprises?*

This research project was therefore interested in examining the participants' perceptions on trust, particularly within their own personal networks. The results display the aggregated positive responses given by the participants to the following trust-related questions.

**Table 6.7a: Prevalence of trust amongst social enterprise leaders**

Survey Question		All % agree N=93	Aus % agree N=53	Scot % agree N=40
Q 45	People usually tell the truth even when know better off by lying	60.2%	56.6%	65%
Q 46	If I arranged a meet with someone in my social network I would be certain they would be there	97.8%	98.1%	97.5%
Q 47	If they think you are ignorant of their speciality most business consultants will overcharge	39.8%	37.7%	42.5%
Q 48	If a person in my social network promised to do me a favour they would follow through	96.8%	96.2%	97.5%
Q 49	Most people can be counted on to do what they say they will do	74.2%	71.7%	77.5%
Q 50	I can talk freely to people in my network and know that they would want to listen	97.8%	96.2%	100%
Q 51	Most people are basically honest	90.3%	88.7%	92.5%
Q 52	I am able to confide in people in my social network and know they would not discuss this with others	73.1%	81.1%	62.5%
Q 53	Most experts can be relied upon to tell the truth about the limits to their knowledge	47.3%	52.8%	40%
Q 54	I expect people in my network to tell me the truth	94.6%	96.2%	92.5%

The results indicate a high level of trust amongst the social enterprise leaders across this study. For example, 90% of respondents stated that most people are basically honest. This high level of trust can be seen to be particularly strong in terms of the participants' personal networks, evidenced by the extremely high results to Questions 46, 48 and 51 above. Conversely when asked about experts outside of their networks, Questions 47 and 53 for example, the level of trust across the participants decreases considerably. These results displayed strong similarity between the Australian and Scottish groups.

The next table in this section alternatively shows the results relating to these questions when considered by social enterprise type. These results indicate overall a greater propensity towards trust amongst the NFP type social enterprise leaders than those that operate For-Profit enterprises.

**Table 6.7b: Social enterprise trust by organisational type**

Survey Question		For-Profit % agree N= 23	NFP % agree N=42	Co-Op % agree N=7	Mixed % Agree N=15
Q 45	People usually tell the truth even when know better off by lying	43.4%	62%	57.1%	66.6%
Q 46	If I arranged a meet with someone in my social network I would be certain they would be there	95.8%	100%	85.7%	100%
Q 47	If they think you are ignorant of their speciality most business consultants will overcharge	43.4%	35.7%	28.6%	46.5%
Q 48	If a person in my social network promised to do me a favour they would follow through	100%	95.5%	85.7%	100%
Q 49	Most people can be counted on to do what they say they will do	65.5%	80.9%	85.7%	66.6%
Q 50	I can talk freely to people in my network and know that they would want to listen	100%	97.6%	85.7%	100%
Q 51	Most people are basically honest	87.9%	95.5%	71.4%	93.3%
Q 52	I am able to confide in people in my social network and know they would not discuss this with others	73.9%	66.6%	71.4%	80%
Q 53	Most experts can be relied upon to tell the truth about the limits to their knowledge	43.4%	45.2%	42.9%	46.5%
Q 54	I expect people in my network to tell me the truth	91.7%	97.6%	85.7%	93.3%

**The results relating to trust therefore produce the following important quantitative finding:**

***Quantitative Research finding # 19***

***The social enterprise leaders in this study of all organisational type and nationality displayed a very high level of interpersonal trust, particularly with respect to their own social networks.***

**6.7.1: Experience of networks**

The experience of the participants in terms of social enterprise networks was measured via a range of survey questions. The following matrix summarises the aggregated total positive respondent answers to the questions listed in the table. These results provide further insight into the relationships, trust and collaborative inclinations of the respondents.

**Table 6.7.1a: Experience of networks**

Survey Question		All % agree N= 93	Aus % agree N=53	Scot % agree N=40
Q 61	Generally I think other social enterprises use confidential information to their own advantage	45.2%	41.5%	50%
Q 62	Most local social enterprises support each other	73.1%	73.5%	72.5%
Q 63	Generally when speaking to other social enterprises I tend to watch for misleading information	19.4%	22.6%	15%
Q 64	Generally I misrepresent my enterprises capabilities when speaking to competitors	13.1%	15.1%	10%
Q 65	I have been working with other social enterprises for some time	69.9%	69.8%	77.5%
Q 66	Local social enterprises often try to work together	78.5%	81.2%	75%
Q 67	There is a strong sense of kinship amongst local social enterprises	72%	75.5%	67.5%
Q 68	I tend to speak openly to other social enterprises if they can benefit	95.7%	96.2%	95%
Q 69	I have worked with other social enterprises to secure business contracts	63.4%	60.4%	67.5%

Taken overall these results provide evidence that the social enterprise leaders in this research were predominantly positive in terms of the capacity for social enterprises to support each other and work together collaboratively. For example, over 73% stated that social enterprises support each other, 78.5% stated that they often try to work together and 72% said there was a sense of “kinship” in the domain. In fact over 63% stated that they had previously co-operated with other social enterprises to secure business contracts. Similarly only 19% said that they needed to be careful about misleading information when talking with other social ventures. The results showed very little difference between the Australian and Scottish participants.

The next table considers the participants’ experience of relationships when categorised by organisational structure.

**Table 6.7.1b: Experience of networks by organisational type**

Survey Question		For-Profit % agree N= 23	NFP % agree N=42	Co-Op % agree N=7	Mixed % agree N=15
Q 61	Generally I think other social enterprises use confidential information to their own advantage	52.2%	38.1%	28.6%	66.6%
Q 62	Most local social enterprises support each other	74%	69%	85.7%	80%
Q 63	Generally when speaking to other social enterprises I tend to watch for misleading information	34.7%	14.2%	0%	27.2%
Q 64	Generally I misrepresent my enterprises capabilities when speaking to competitors	17.4%	14.2%	14.3%	0%
Q 65	I have been working with other social enterprises for some time	52.2%	80.1%	71.5%	80%
Q 66	Local social enterprises often try to work together	65.2%	76.2%	100%	100%
Q 67	There is a strong sense of kinship amongst local social enterprises	74%	64.2%	85.7%	80%
Q 68	I tend to speak openly to other social enterprises if they can benefit	95.8%	92.8%	100%	100%
Q 69	I have worked with other social enterprises to secure business contracts	56.5%	71.6%	57.2%	46.6%

These results suggest that for-profit social enterprises are less likely to have collaborated with other social enterprises than the NFP participants. Indeed NFP types, at nearly 72%, are most likely to have collaborated with other social enterprises to secure business contracts, with over 80% declaring that they have been working with other social enterprises for some time whereas only 52% of the for-profits reported this. The for-profit ventures appear slightly less trusting of other social enterprises than the NFP group as evidenced by Question 63 where over 34% state that they watch for misleading information when talking to other social enterprises whilst conversely only 14% of the NFP group had this view. All groups however see social enterprises as supportive of each other with a sense of kinship apparent.

*Hence the research finding:*

***Quantitative Research finding # 20***

***Social enterprise leaders report an environment of support and collaborative activity within the social enterprise sector. This is particularly evident amongst those structured as NFP.***

**6.7.2: The relationship between trust, networks and organisational growth in social enterprise**

As detailed in Chapter 4 a correlation was undertaken to explore the relationship between trust, experience in networks and enterprise growth. While trust and experience in networks were positively and significantly correlated (.387\*\*\*), there was no relationship between trust and growth apparent in the data. Hence this model indicates that trust in networks within the social enterprise domain does not predict growth amongst social ventures.

***It is important to re-state that this study incorporated a relatively small sample size from a quantitative perspective and this must therefore be viewed as a limitation (Hair et al. 2010; Tabachnik & Fidell 2007) however this suggests the following quantitative finding:***

***Quantitative Research finding # 21***

***Trust in networks is not a predictor of growth in social enterprises.***



## 6.8: Quantitative results – Research Question 3

The following section details the quantitative results obtained that address the project's third research question, namely:

*SRQ3: What is the role of intermediaries in the development of sustainable social enterprises?*

The next table shows the percentage of social enterprises that reported receiving intermediary support for their social enterprise as well as a comparative analysis of whether they also received government support.

**Table 6.8a: Intermediary support of social enterprise**

	% that received intermediary Support	% that received Government support
All N=93	77.4%	76.3%
Australia N=53	67.9%	69.8%
Scotland N=40	90%	85%
For-Profit N=23	74%	74%
NFP N=42	80.9%	80.9%
Co-Op N=7	85.7%	71.4%
Mixed N=15	66.6%	80%

High levels of support from intermediary organisations were reported by the respondents of this study overall (77.4%) and this was largely consistent across social enterprise type. These

results also indicate that participants receiving intermediary support also declared receiving Government assistance as well.

The final fourteen surveyed participants were also asked an ancillary question to determine not just whether they had received support from intermediaries but more importantly how important they perceived this support to be. The following table highlights the results from this sample.

**Table 6.8b: Importance of intermediary support**

N=14	Not important	Slight importance	Fairly important	Very important	Extremely important	Average
Importance of intermediary support to your enterprise	0	2	6	5	1	3.35

As shown above there is total agreement across this group that intermediaries are of importance to the field of social enterprise with 85% viewing them as fairly to extremely important to their organisation. Of note here is that all three of the Australian respondents to this question reported intermediaries to be “very important” to the success of their enterprise.

**However, Scottish social enterprises (90%) are more likely to have received such support than their Australian counterparts (67.9%). This leads to the following key quantitative findings:**

***Quantitative Research finding # 22***

***Social enterprises, irrespective of organisational type, view intermediaries as an important provider of assistance to their organisations.***

***Quantitative Research finding # 23***

***Australian social enterprises report lower levels of support from intermediary organisations than their Scottish counterparts.***

## **6.9: Summary of key quantitative findings**

### **6.9.1: Key demographic findings**

- *Social enterprises are predominantly small businesses employing less than 20 people.*
- *The majority of social entrepreneurs have not previously established a social enterprise similar to their current venture.*
- *However over 40% of social entrepreneurs reported having previously established another social enterprise, but of a different type.*
- *The majority of social enterprise founders have not had experience running a social enterprise prior to their current venture.*
- *Social enterprises are typically run by well-educated individuals aged over 35 with a relatively high proportion of women in the leading organisational role in ventures that are structured as NFP.*
- *For-Profit social enterprises are typically more recently established, smaller, run by younger individuals who are generally males than other social enterprise organisational types.*
- *The entrepreneurs /leaders of For-Profit social enterprises have less prior experience of working in social ventures than their counterparts in other organisational forms such as NFPs.*

### **6.9.2: Key quantitative findings SRQ1: What factors facilitate the development of sustainable social enterprises?**

### 6.9.2.1: Growth and cost recovery

<i><b>Finding</b></i>		
<b>1</b>	<i>Contemporary social enterprises identify a clear expectation of and a strategic orientation towards organisational growth.</i>	<i>New – extends prior theory</i>
<b>2</b>	<i>For-Profit social enterprises viewed growth most importantly, are growing more quickly and are anticipating higher rates of growth in the future.</i>	<i>New – extends prior theory</i>
<b>3</b>	<i>Commercial/financial performance is viewed as a key measure of success by social enterprise leaders.</i>	<i>Confirms and extends prior theory</i>
<b>4</b>	<i>Despite a considerable proportion (42%) of social enterprises stating that they do not recover all of their costs, Australian social ventures are considerably more likely than their Scottish counterparts to do so.</i>	<i>Confirms and extends prior theory</i>
<b>5</b>	<i>The majority of social enterprises of all organisational types (72%) report a strategic orientation to achieving more than full cost recovery, or profit.</i>	<i>Confirms and extends prior theory</i>

### 6.9.2.2: Social enterprise resourcing

<i><b>Finding</b></i>		
<b>6</b>	<i>Social enterprises are multi-resourced organisations, accessing a range of different resource channels to supplement their trading activities.</i>	<i>Confirms prior theory</i>
<b>7</b>	<i>Social enterprises view public funding as a key element of their organisational resourcing “mix” however the Scottish participants demonstrated higher levels of both public funding and cash donation than their Australian counterparts.</i>	<i>Confirms and extends prior theory</i>
<b>8</b>	<i>Social enterprises structured as For-Profit were more likely to receive personal funding from the venture’s founder/leader than NFP models.</i>	<i>Confirms and extends prior theory</i>

### 6.9.2.3: Organisational capabilities

<i>Finding</i>		
<b>9</b>	<i>Organisational capabilities such as relevant expertise, training and planning are an important factor in determining social enterprise success.</i>	<i>Confirms prior theory</i>

### 6.9.2.4: Legitimacy of social enterprise

<i>Finding</i>		
<b>10</b>	<i>Social enterprises view public awareness as very important to the success of their organisations.</i>	<i>Confirms prior theory</i>
<b>11</b>	<i>Social enterprises view the support of government as very important to the operation of their enterprises with Scottish social enterprises reporting more governmental support than their Australian counterparts.</i>	<i>Confirms and extends prior theory</i>
<b>12</b>	<i>Social enterprise leaders overwhelmingly (95%) discuss business issues with three or more trusted persons with the majority (59%) discussing business openly with six or more such persons.</i>	<i>New – extends prior theory</i>

## 6.9.3: Key quantitative findings: SRQ2: What are the important networks and relationships in this process?

### 6.9.3.1: Network and relationship structure and strength

<i>Finding</i>		
<b>13</b>	<i>Australian social enterprise leaders discuss business with larger groups of trusted persons than their Scottish counterparts.</i>	<i>New – extends prior theory</i>
<b>14</b>	<i>Social enterprise leaders possess strong ties with the trusted persons that they discuss business with.</i>	<i>Confirms and extends prior theory</i>
<b>15</b>	<i>The trusted persons that discuss business with the social enterprise leaders in this study possess weak ties between themselves.</i>	<i>New – extends prior theory</i>

<b>16</b>	<i>Scottish social entrepreneurs report weaker ties between the trusted persons that they discuss business with than is the case in the Australian context.</i>	<i>New – extends prior theory</i>
<b>17</b>	<i>The entrepreneurs/leaders of For-Profit social enterprises report weaker ties between their trusted relations than is the case in the NFP context.</i>	<i>New – extends prior theory</i>

### 6.8.3.2: The support of the Board

<b><i>Finding</i></b>		
<b>18</b>	<i>Boards are viewed as an important provider of assistance to social enterprises, however Australian social enterprise leaders report considerably lower levels of support from their Boards than their Scottish counterparts.</i>	<i>New – extends prior theory</i>

## 6.9.4: Key quantitative findings: PRQ2: What is the role of trust in the development of sustainable social enterprises?

### 6.9.4.1: Trust and collaboration in social enterprise

<b><i>Finding</i></b>		
<b>19</b>	<i>The social enterprise leaders in this study, irrespective of organisational type and nationality, displayed a very high level of interpersonal trust, particularly with respect to their own social networks.</i>	<i>New – extends prior theory</i>
<b>20</b>	<i>Social enterprise leaders report an environment of support and collaborative activity within the social enterprise sector. This is particularly evident amongst those structured as NFP.</i>	<i>Confirms and extends prior theory</i>
<b>21</b>	<i>Trust in networks is not a predictor of growth in social enterprises.</i>	<i>New – extends prior theory</i>

### 6.9.5: Key quantitative findings SRQ3: What is the role of intermediaries in the development of sustainable social enterprises?

<i>Finding</i>		
<b>22</b>	<i>Social enterprises, irrespective of organisational type, view intermediaries as an important provider of assistance to their organisations.</i>	<i>Confirms and extends prior theory</i>
<b>23</b>	<i>Australian social enterprises report lower levels of support from intermediary organisations than their Scottish counterparts.</i>	<i>New – extends prior theory</i>

### 6.10: Concluding remarks

Chapter 6 detailed and summarised the quantitative data generated by this project seeking to address the study's research questions and identified the key findings suggested by these results. Thus the key quantitative findings relating to factors that influence social enterprise sustainability such as growth and cost recovery, resourcing, organisational capabilities and organisational legitimacy were outlined. Similarly the quantitative findings relating to network and relationship structure and strength were addressed as well as the role of trust in the development of sustainable social enterprises was covered. Finally the quantitative results and associated key findings relating to the role of intermediaries in social enterprise sustainability were detailed.

The proceeding chapter considers the conclusions that can be drawn from these quantitative results in combination with the previously outlined qualitative results and in the light of prior research.

## CHAPTER 7: CONCLUSIONS

### 7.1: Introduction

Social enterprise involves delivering positive social impact (Dees 1998a; Galera & Borzaga 2009; Pearce 2003). However there are inherent commercial challenges facing these enterprises in sustaining themselves and still delivering their intended social goals (Chell 2007; Dart 2004). Hence the research questions of this study sought to identify the important factors that facilitate a sustainable social enterprise.

Thus:

***Hypothesis H1: Social Enterprise in today's economic environment will use standard business growth models for sustainable operation.***

- *PRQ 1: What are the important factors in the development of sustainable social enterprise?*
- *SRQ1: What are the factors that facilitate the development of sustainable social enterprises?*
- *SRQ2: What are the important networks and relationships in this process?*
- *SRQ3: What is the role of intermediaries in the development of sustainable social enterprises?*

***Hypothesis H2: Trust impacts the sustainability of social enterprises by reducing the barriers to collaboration that support organisational growth.***

- *PRQ2: What is the role of trust in the development of sustainable social enterprises?*

On this basis the study's first research question:

*SRQ1: What are the factors that facilitate the development of sustainable social enterprises?*

...seeks to determine the important factors in social enterprise sustainability. Along these lines the research additionally set out to explore the nature and extent of the important



networks and relationships within the field of social enterprise. Thus leading to the next research question:

*SRQ2: What are the important networks and relationships in this process?*

One such potentially important relationship is with specialist intermediary organisations. Therefore a further goal of this project was to explore the role of intermediaries in social enterprise development as these entities represent an important source of support to social enterprises with the potential to facilitate and develop important relationships and networks for these ventures, thus:

*SRQ3: What is the role of intermediaries in the development of sustainable social enterprises?*

Lastly it was determined that the quality as well as the extent of social enterprise relationships was a potentially important factor in the development of these ventures, hence:

*PRQ2: What is the role of trust in the development of sustainable social enterprises?*

For, as trust influences the quality of relationships, it was decided to examine the inherent trust within the relationships of social enterprise leaders to determine its impact upon organisational sustainability.

This chapter therefore proceeds to sequentially consider the conclusions that can be drawn from the research findings in relation to these questions in the light of prior research.

## **7.2: Conclusions as to SRQ1: The factors that facilitate the development of sustainable social enterprises**

The sustainability of social enterprise is the central tenet of the conceptual model for social enterprise “survivability” established by Sharir et al. (2009) which posits that “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” (2009 p. 90). Thus Sharir et al. (2009) identified a theoretical framework of external and internal explanations of social enterprise sustainability that incorporates the following key factors:

- Access to resources
- Enterprise legitimacy

- Collaborative networks
- Organisational capabilities

The data from this project empirically supports this conceptual framework as the study also identified these factors as important in the sustainability of contemporary social enterprises. However, this study extends this model by illustrating the existence of an additional, overarching, commercially focused growth orientation viewed by a cross-section of social enterprise leaders as the primary driver of organisational sustainability.

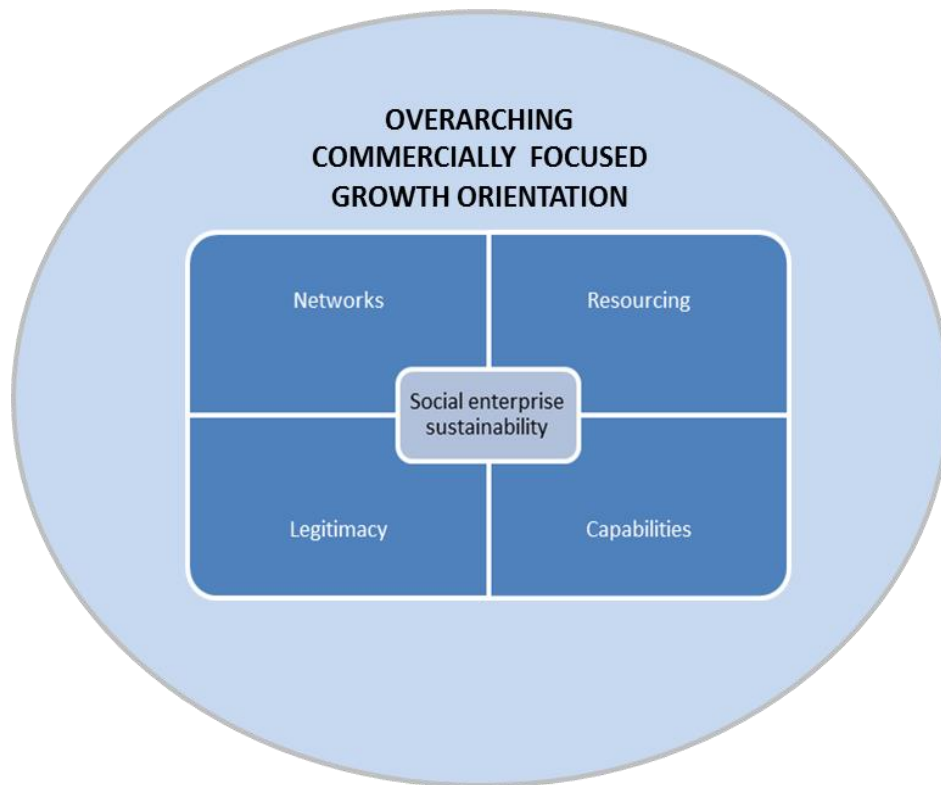
The results show the most dominant factor in the sustainability of social enterprises was an overarching growth orientation, comprising 32% of the total influences reported by the participants. This compares to 21% for networks, the next largest factor, 19% for organisational capabilities, 15.5% for resourcing with 12.5% signalling the importance of legitimacy to the success of social ventures.

**Table 7.2: Dominant factors in social enterprise sustainability**

<b>Key sustainability factor</b>	<b>Comparative weighting as reported by participants</b>
Commercially focused growth orientation	32%
Collaborative networks	21%
Organisational capabilities	19%
Resourcing	15.5%
Legitimacy	12.5%

Hence a commercially focused growth orientation is the dominant factor identified, however these results emphasise the importance of social capital to social enterprise sustainability, being the second most important factor recorded. The varied networks and relationships are seen as key drivers of the ability of these ventures to access the critical resources and legitimacy needed to succeed. Indeed the ability to strategically manage and leverage the relationships and networks is itself arguably a critical organisational capability.

The following diagram illustrates this new extended model of social enterprise sustainability, reflecting the weighted key factors identified in Table 7.2 above.



**Figure 7.2: Factors influencing social enterprise sustainability**  
(Created by author for this paper)

### 7.2.1: Commercially focused growth orientation

Thus the social enterprise leaders in this study identify that for the majority of social ventures irrespective of organisational structure there exists a primary strategic intent for a commercially based growth orientation as a means to achieving social impact. Evidence supporting this notion is found in both the qualitative and quantitative findings and is presented firstly in relation to the commercial aspects before outlining the associated growth orientation found in the results.

#### 7.2.1.1: Commercial orientation, cost recovery and profitability of social enterprise

Scholars have identified a degree of ambiguity both in terms of the primacy of social or commercial goals for social enterprises (Austin et al. 2006; Eikenberry & Kluver 2004; Pearce 2003; Seanor et al. 2007) as well as around notions of importance of profitability and the application of surplus by a social venture (Jones & Keogh 2006; Ridley-Duff 2008; Shaw & Carter 2007). However there is also recognition that the application of traditional business

strategies is fundamental to the delivery of sustained social impact by social enterprises (Coburn & Rijdsdijk 2010; Dart 2004; Hynes 2009; Mair & Marti 2006; Peredo & McLean 2006).

The findings of this study are therefore important as a fundamental 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 in the project interviews via terms such as “financial sustainability”, “profitability” and “business focus” with one respondent succinctly capturing the notion, observing that social enterprise sustainability “... simply comes down to commercial viability” (#61/Scot/NFP). The qualitative results of this study thus provide abundant evidence of this perspective in the form of respondent comments emanating, importantly, from across the diversity of social enterprise types.

Furthermore the study’s quantitative results corroborate the qualitative data. Over 89% of all surveyed participants identified “commercial/financial measurements” as an important indicator of success for their social enterprise. The results therefore indicate that the respondents viewed a commercial orientation as a fundamental requirement to the delivery of ongoing social impact by a social venture.

Further, because of the commercial focus, rather than generating ambiguity around the goals of the enterprise there is an evolved level of commercial “pragmatism” across the spectrum of contemporary social enterprises that view a commercial orientation as fundamental to their ability to deliver sustained social impact. This notion is well-illustrated by the following observation from a leading Scottish social entrepreneur heading up a successful NFP enterprise:

“... if it does not work financially it is not going to work socially” (#61/Scot/NFP).

Hence these findings endorse Coburn and Rijdsdijk (2010 p. 5) who conclude “successful social enterprises must be successful businesses first and foremost” with “a commercial orientation ... essential if social enterprises are to deliver on their social impact in a financially sustainable way”.

Furthermore sixty-one respondents were asked a follow-up question that examined participant intent towards profit and cost recovery. Analysis of these results revealed that those structured as for-profit social ventures were more likely to declare this profit orientation

(79%) however, importantly, a clear majority (67%) of the ventures reporting a Not-for-Profit structure also held the same profitability intent. These results, contrary to previous studies that identify an element of ambiguity around notions of profitability within the domain (Diochon & Anderson 2009; Jones & Keogh 2006; Shaw & Carter 2007; Westall 2009) are therefore strongly suggestive of a profit orientation across the spectrum of contemporary social enterprises. The findings therefore endorse and extend recent findings that view profitability to be both acceptable (Wilson & Post 2013) and necessary for social ventures to be sustainable (Burkett 2010; Coburn & Rijsdijk 2010; Hynes 2009).

#### **7.2.1.2: Social enterprise growth orientation**

Growth orientation has attracted limited attention to date in the social enterprise literature (Blundel & Lyon 2012; Hynes 2009). In fact Blundel and Lyon conclude that beyond initial start-up the “long-term growth process in social ventures remains under researched” (2012 p. 5). This is despite research demonstrating an appetite for growth amongst social enterprises (Villeneuve 2011) as well as interest from policy makers in scaling-up social enterprises (Blundel & Lyon 2012; Lyon & Fernandez 2013). Indeed it is suggested that social enterprises need a growth orientation to succeed (Coburn & Rijsdijk 2010; Hynes 2009; Scott & Teasdale 2012).

A growth orientation was overwhelmingly evidenced as a dominant theme in the interview data across the range of social enterprise types. Well illustrated by the following comment from an Australian social entrepreneur who succinctly stated that:

“...growth is critical to social enterprise sustainability” (#28/Aus/For-Profit).

Furthermore this growth orientation was strongly corroborated in the survey data. An overwhelming majority (96%) of all 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. Hence these findings support and extend previous surveys (Barraket et al. 2010; Leahy & Villeneuve 2009) and the data is aligned with Coburn and Rijsdijk’s view that social enterprise leaders often link social enterprise success “to concepts of scale and growth” (2010 p.3).

Moreover, despite limited research that specifically examines growth strategies in social enterprise (Blundel & Lyon 2012) the results also revealed evidence on how the participant social enterprises sought to achieve their declared growth objective. A key growth strategy identified by the respondents was diversification through multiple income streams to provide a more sustainable commercial foundation. This aligns with research into traditional business as the importance of growth through diversification is well established in the small business literature (Davidsson et al. 2010; Dobbs & Hamilton 2006; North & Smallbone 2000). It is also supportive of recent research that suggests that diversification is a method by which social enterprise can scale-up their operations (Lyon & Fernandez 2012). There was furthermore evidence in these results of social ventures diversifying their commercial activities by leveraging physical assets which resonates with prior findings (Barraket & Anderson 2010; Burkett 2010; Haugh 2009).

Hence the combined results of this study empirically support the proposition of both the existence of an explicit commercial focus as well as a growth orientation of contemporary social enterprises. This study therefore confirms social enterprise as a “double bottom line” phenomenon (Dees 1998a), wherein the application of traditional business strategies are fundamental to the delivery of sustained social impact (Coburn & Rijsdijk 2010; Dart 2004; Hynes 2009; Mair & Marti 2006; Peredo & McLean 2006) and that *irrespective of organisational type*, social enterprise has evolved a pragmatic commercially focused strategic growth orientation that is viewed by social enterprise leaders as a primary driver of organisational sustainability.

### **7.2.1.3: Conclusion relating to Hypothesis H1**

In the light of the results produced by this study therefore, when considering Hypothesis 1 that stated:

***Hypothesis H1: Social enterprise in today’s economic environment will use standard business growth models for sustainable operation.***

It is evident that the combined findings of this research ***overwhelmingly support this Hypothesis.***

### **7.2.2: Collaborative networks**

Social capital is regarded as an inherent strength of social enterprise (Bull et al. 2010; Pearce 2003; Seanor & Meaton 2008). In line with previous research the findings suggest that networks and their associated collaborative activity constitute an important aspect of social enterprise sustainability (Blundel & Lyon 2012; Haugh 2009; Meyskens et al. 2010a; Sharir et al. 2009; Shaw & Carter 2007). Scholars have thus acknowledged the need for research into the nature of the relations of social entrepreneurs and their ventures (Haugh 2007; Moss et al. 2011; Sharir et al. 2009) as well as noting a lack of research into the role of trust in the social enterprise field (Ridley-Duff & Bull 2011). In recognition, this research therefore applied specific research questions to these issues and as such the conclusions relating to relationships, trust, and collaborative networks are addressed at length later in this chapter.

### **7.2.3: Organisational capabilities**

Capabilities are an embedded, non-transferable organisational asset that enhances the efficiency and effectiveness of other organisational resources held by a firm (Eisenhardt & Martin 2000). Organisational capabilities are seen as playing an important role in social enterprise success (Doherty et al. 2014; Haugh 2009; Peattie & Morley 2008b; Myskens et al. 2010b) being detailed as a specific trait of successful social enterprises (Coburn & Rijdsdijk 2010). However, despite this there is limited research that examines specific organisational capabilities within the social enterprise context. Importantly therefore several organisational capabilities emerged from the data as being of particular importance to social enterprise success.

#### **7.2.3.1: Social enterprise structure**

Organisational structure was a significant sub-theme to emerge from the survey producing significant insights into the relationship between structure and social enterprise sustainability. It has been suggested that the choice of structure for social ventures is often based around gaining stakeholder legitimacy with the legal structure selected impacting most notably on social enterprise funding (Barraket & Anderson 2010; Doherty et al. 2014; Mendell & Nogales 2009; Townsend & Hart 2008). Structure thus impacts the functioning and performance of these ventures (Doherty et al. 2014; Florin & Schmidt 2011; Sabeti 2011; Townsend & Hart 2008). In fact Meyskens et al. (2010a p.428) posited that in order to be successful, a social enterprise must “choose the legal form that makes the most sense for their mission, financing needs and earned income goals”.

The findings of this study align with prior research. The participants reported selecting a range of structures and that the choice of structure was predominantly influenced by pragmatic and mission-based factors. Social enterprise leaders chose organisational structures predominantly on the basis of commercial pragmatism (65%) rather than values (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.

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. The pragmatic commercial use of tax benefits emphasised by many of these NFP entities is another good example. 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.

The data revealed some clear differences in the ability to develop an ideal structure with a number of Australian participants identifying frustration with the options available. Such views were not evident in the Scottish data, perhaps as a result of the introduction in the UK of specifically targeted new structures such as the Community Investment Company (CIC) representing a policy specific response to the perceived need for social enterprise to have a tailored organisational form to assist in the field's development. With its novel asset lock and distribution rules the CIC was specifically established by the UK Government as a direct response to perceived social enterprise legal and funding needs (Doherty et al. 2009; Galera & Borzaga 2009).

Hence this research indicates that the selection of social enterprise structure is predominantly a pragmatic decision aimed at organisational sustainability. The majority of social enterprise leaders in this study reported achieving this outcome by using a legal structure, or structures, to suit specific individual circumstances. It is therefore suggested that the choice of structure for a social enterprise is a strategic decision influenced by contextual commercial imperatives including the need to access resources, gain legitimacy and stakeholder alignment to attain ongoing sustainability.



### **7.2.3.2: Planning**

Goal setting and planning are widely recognised as a critical component of organisational success (Bartol et al. 2011). Scholars have highlighted the importance of planning for social ventures, particularly in their formative stages (Barraket & Anderson 2010; Sharir et al. 2009) as well as when seeking to grow (Bull 2008). Nonetheless several UK studies have found limited evidence of formal planning processes amongst social enterprises (Bull & Crompton 2006; Hynes 2009; Lyon & Ramsden 2006) and another more recently reported “that many smaller social enterprises appear to survive without an explicit business plan” (Sunley & Pinch 2012 p.117). Conversely an Australian study reported that Australian social enterprises use planning practices more than their mainstream business counterparts (Barraket et al. 2010). This research similarly shows a clear commitment to the notion and application of business planning by contemporary social enterprise leaders. The survey data demonstrates that the vast majority of participants in this study both do “a lot of planning” (91%) and are currently “using a business plan” (90%).

### **7.2.3.3: Marketing**

Marketing is a core capability of any business and an integral element of organisational success (Schaper et al. 2011). Prior research argues the importance of marketing capabilities in the context of social enterprise development (Bull & Crompton 2006; Coburn & Rijsdijk 2010; Hynes 2009). However the literature has tended to view marketing capabilities as a weakness within the domain (Bull & Crompton 2006; Hynes 2009; Lyon & Ramsden 2006; Peattie & Morley 2008b; Sunley & Pinch 2012).

Marketing represented a relatively strong theme in the qualitative data of this study. These results show a heightened awareness amongst the respondents of the importance of marketing to the success of their ventures, well illustrated by the following participant observations: “marketing is crucial to our success” similarly “a true marketing perspective is key ... it is not enough just to try to do good ... do they need it?”

The findings therefore suggest, particularly with the Scottish participants, an evolving appreciation and application of marketing amongst the social enterprise leaders in this study.

### **7.2.3.4: Quality, efficiencies and systems**

Despite operational excellence being identified as a trait of successful social enterprises (Coburn & Rijsdijk 2010) there is a lack of research into the operational performance and

functioning of social enterprises with “relatively little known about the management competencies needed to successfully manage” these ventures (Peattie & Morley 2008b p.30). However such competencies were an area of importance in this study. A number of respondents emphasised the need for social enterprises to be more efficient than traditional businesses in order to be sustainable. This was seen to be due to a higher embedded cost base occurring from socially and democratically focused operating philosophies. The participant comment that “efficiency is a key factor ... as social enterprise needs to be extra efficient to compete” illustrates this well.

The survey provided some additional findings in terms of organisational expertise. For 96% of respondents reported that from a service delivery perspective their organisation possessed client-specific capability with over 82% furthermore emphasising that a “high level” of capability was required for their organisation. Furthermore, to support this level of capability 82% of all respondents declared that their team undertook training at least on an annual basis. These results were 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 in this study.

This research therefore confirms that organisational capabilities are an important factor in social enterprise success supporting the observation of Sharir et al. that the “long-term survivability of social ventures was found to be associated with their ability to introduce and create organisational capabilities” (2009 p. 91). Moreover, as will be discussed later in this chapter, the findings also suggest that the strategic utilisation of networks and relationships are an important organisational capability with significant impact on organisational sustainability.

#### **7.2.4: Social enterprise resourcing**

The acquisition of resources is critical to a firm’s long term success (Katz & Gartner 1988) with the resources of an enterprise viewed as the valuable assets and competencies under its control strategically marshalled to create competitive advantage (Barney 1991; Eisenhardt & Martin 2000). These resources may be tangible assets such as physical, financial, organisational and human capital or intangible resources such as culture and reputation for example. The importance of securing the necessary resources to operate and compete in the marketplace is a fundamental challenge for social enterprises (Diochon & Anderson 2009; Haugh 2006; Sharir et al. 2009) and a core issue in terms of social enterprise development

(Barraket & Anderson 2010; Coburn & Rijsdijk 2010; Hynes 2009). However accessing important resources is challenging for social ventures (Haugh 2006) with securing funding widely regarded as a dominant issue for social enterprises (Barraket & Anderson 2010; Burkett 2013; Hines 2005; Mendell & Nogales 2009).

Access to resources was a major theme to emerge from the semi-structured interviews in this study. Echoing previous research, financial resourcing was a key issue amongst the participants who regularly discussed the critical importance of resourcing their organisations from a variety of financial streams such as trading, grants and government procurement initiatives. Indeed the commercially focused growth orientation identified in this study is largely driven by the apparent awareness amongst social enterprise leaders of the need to profitably develop effective resourcing strategies that enable their social ventures to survive.

Moreover the project's survey data provided important collaborating insights into the issues surrounding the resourcing of the participant's social ventures. The quantitative data demonstrated, in line with previous research, that social enterprises are "multi-resource" organisations (Barraket et al. 2010; Doherty et al. 2009; Ridley-Duff & Bull 2011). The data shows multiple resource streams in addition to their earned income derived from trading, with 42% reporting that they receive public funding, a similar 42% reported receiving in-kind donations and 59% declared receiving some corporate assistance, often in the form of pro-bono work. Furthermore, and in support of most previous findings (Burkett 2010; Harding 2004; Hynes 2009) over a third of participants reported needing to use their own funds, with philanthropic funding (28%) and cash donations (18%) also registering.

Furthermore there was considerable emphasis by the respondents relating to the importance of networking and collaborative activity as a means of accessing resources. This aligns with research that emphasises the significance of networks and collaborative partnerships in social enterprise resourcing and development (Coburn & Rijsdijk 2010; Haugh 2009; Meyskens et al. 2010a; Sharir et al. 2009).

The research also reveals some important insights with regards to funding when comparing both the Australian and Scottish data and the various structural types of social enterprise: a notable difference is apparent in the access to public funding by the social enterprises in this study. Whereas 65% of the Scottish participants reported receiving public funding only 24.5% of the Australian participants stated receiving such support.

The results furthermore indicate important differences in resourcing support between social enterprises based on their organisational structure. The For-Profit social enterprises reported 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 needing to use personal funds in their enterprise whereas only 21.5% of the NFP group declared this. It also suggests that For-Profit social enterprises are likely to be more reliant on earned income streams than their NFP counterparts.

There was however no evidence connecting deployment of volunteer labour with organisational sustainability despite previous research highlighting its importance (Austin et al. 2006; Peattie & Morley 2008b). Similarly despite access to skilled human resources being cited as a challenge for social ventures (Barraket & Anderson 2010; Dacin et al. 2010; Hynes 2009; Villeneuve 2011) only limited, though supportive, attention was given to such resourcing issues by the respondents in this study. However, the acquisition and associated leveraging of physical assets to help resource the enterprise was a feature of a number of interviews in this project echoing prior research on this issue (Burkett 2010; Hines 2005; Haugh 2009).

Hence the findings of this study are largely consistent with earlier research relating to the resourcing of social enterprise and its importance as a factor in social enterprise sustainability.

#### **7.2.5: Social enterprise legitimacy**

Organisational as well as sectoral legitimacy represented a major theme to emerge from the study's interview process. The acquisition of legitimacy delivers important benefits to a firm in terms of access to resources and increased chances of survival (Aldrich & Martinez 2001; Baum & Oliver 1991; Meyer & Rowan 1977). Suchman (1995) argues organisations can actively garner legitimacy by influencing the environment and the perceptions of their stakeholders. Adler and Kwon (2002) suggest that a venture's success depends on its ability to create and maintain legitimacy. Indeed legitimacy is seen to have particular relevance to the success of social ventures (Dacin et al. 2010; Dart 2004; Meyskens et al. 2010b;

Townsend & Hart 2008; Sharir et al. 2009) with legitimacy providing access to important resources (Doherty et al. 2014; Townsend & Hart 2008).

The findings of this research are consistent with these prior findings. The respondents declared an appreciation of the importance of legitimacy as a factor of both their own organisation's growth and sustainability as well as the development of the social enterprise sector overall. 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). Furthermore the participants identified, in alignment with prior research (Meyskens et al. 2010b), the importance of developing community and stakeholder relationships as a means to enhance their legitimacy and influence organisational sustainability through access to valuable resources.

Thus the findings, in line with prior research, suggest that legitimacy is an important factor in social enterprise sustainability. The contemporary social enterprise leaders in this study report both an awareness of the importance of legitimacy and the need to pursue strategies to develop legitimacy with the range of important community stakeholders that impact their sustainability including funding organisations, consumers and government.

### **7.3: Conclusions as to SRQ2: Important networks and relationships**

In seeking to determine the important factors in social enterprise sustainability this research set out to explore the nature and extent of social enterprise networks and relationships hence the research question:

*SRQ2: What are the important networks and relationships in this process?*

Prior research has suggested that networks and relationships play an important role in social enterprise development (Blundel & Lyon 2012; Haugh 2009; Sharir et al. 2009; Shaw & Carter 2007). This research confirms and emphasises the importance of social capital in the development and sustainability of social ventures.

#### **7.3.1: Social capital and social enterprise**

Social capital, embedded within the social interactions and relationships of networks, trust, values and norms, impact our social and economic activities (Woolcock 1998) and influences the ability of people, organisations and communities to leverage benefits from their social structures (Coleman 1988; Lin 1999; Portes 1998; Putnam 1993; Woolcock 1998). Social

capital therefore represents an important factor in the ability of organisations to access resources (Adler & Kwon 2002; Leana & Van Buren 1999; Martinez & Aldrich 2011) as mutually beneficial networks deliver assets, legitimacy and information to an enterprise (Gnyawali & Madhavan 2001). The various networks of an enterprise therefore impact its “survival, profitability, innovation and efficiency” (Martinez & Aldrich 2011 p. 7).

Viewed as an inherent strength of the domain (Bull et al. 2010; Pearce 2003; Ridley-Duff 2008) social capital is similarly viewed as having the potential to influence social enterprise sustainability, greatly enhancing their ability to acquire all important legitimacy, information and resources (Clifford & Dixon 2006; Meyskens et al. 2010a; Shaw & Carter 2007; Sharir et al. 2009). The relationships and networks of a social enterprise are therefore an important factor in their success (Haugh 2009; Shaw & Carter 2007) requiring targeted research to better understand their dimensions and dynamics (Certo & Miller 2008; Haugh 2009; Moss et al 2011).

### **7.3.2: Social enterprise relationships**

The benefits associated with social capital accrue from the development and maintenance of relationships. The effectiveness of relationships is impacted not only by their quality but also their quantity and structure (Burt 1992; Hoang & Antoncic 2003; Levin & Cross 2004; Nooteboom & Gisling 2004). The findings of this study show that social enterprise leaders, consistent across social enterprise type and national jurisdiction, identify having strong links with the individuals they state as being key relationships in terms of decision making for their social enterprise. For example, the four most trusted connections of the survey respondents were reported to be acquainted either fairly well, very well or closely by more than 90% of the participants. Hence, shared values of the social enterprise domain result in strong sectoral relationships whereby these linkages provide the foundations for beneficial support, reciprocity and collaborative networks.

This is significant as previous research into traditional For-Profit small businesses, utilising the same survey instrument, revealed a considerably lower overall level of declared strength of relationships. When comparing the declared strength of relations amongst the four key connections of the organisation’s leader this research identified a range of only 73-84% (Chakuthip et al. 2009), compared to the 87-100% range for the For-Profit social enterprises in this study, suggesting weaker relationships in the traditional business domain.

However, prior research also suggests that strong, dense networks may, as a consequence of their homogeneity, be counter-productive particularly in terms of information quality and flow and innovation (Burt 1992; Hoang & Antoncic 2003; Nahapiet & Ghoshal 1998) with such networks being mooted as potentially detrimental to social enterprise development (Seelos et al. 2011). Importantly therefore, findings of this research also demonstrate the existence of weaker ties within the social enterprise leader networks. As the participants identified their key trusted connections as typically possessing weaker ties with the other network members than they possess with the social enterprise leaders themselves.

Research also suggests that social capital is the aggregated value of all elements of a network (Nahapiet & Ghoshal 1998) not limited to an individual's immediate relations but also a function of the capabilities and connections of the network nodes (Adler & Kwon 2002). These relations therefore potentially provide social enterprise leaders with "access to a variety of resources held by other actors" (Hoang & Antoncic 2003 p.169) and offering an important opportunity to enhance their organisational sustainability.

This offers social enterprise leaders the ability to potentially "profit from establishing ties that bridge these otherwise unconnected actors" (Hoang & Antoncic 2003 p. 171). Such information benefits may then be further enhanced by the stronger network relationships reported by the respondents, as these connections would assist the social entrepreneur by delivering support and the ability to understand and develop the potential of any information flow from the extended network (Burt 2001).

The proposition that the networks of social enterprise offer strategic potential is given further support from the research findings when the number of participant connections is considered. Research posits that "individuals with smaller networks" have access to fewer "structural holes" that enable connections to new networks and resources (Lee 2009 p.256) however 59% of this study's respondents specified discussing business with more than six trusted individuals with nearly 30% reporting that they discuss business with sixteen or more trusted persons, indicative that the participants in this study possess relatively large trusted networks to help them operate their ventures.

A recent international study on small business managers, utilising the same survey instrument, identified only 32% of its traditional For-Profit participants (as opposed to 59% of the social enterprises in this study) having six or more trusted relationships (Chakuthip et al. 2009). Similarly earlier research by Aldrich et al. (1989) cited by Martinez and Aldrich

(2011) suggests that most traditional business owners report between 3-10 strong ties. However this study revealed that the NFP enterprises reported larger numbers of trusted connections, with 69% having six or more trusted relations compared to only 47.5% of the For-Profit enterprises. This lower reading for the For-Profits social enterprises is however still appreciably higher than the 32% reported by the traditional small business group. Thus the findings reveal a clear propensity by the social enterprise leaders to discuss business within a network of trusted contacts and that these networks are often extensive, particularly for NFP enterprises.

This study also confirms recent research that suggests that social enterprises possess a wide range of internal and external relationships (Barraket & Anderson 2010). Participants identified a broad range of internal and external individuals with an emphasis upon sectoral type relationships, where at least 50% of the relationships were identified as being “Board members”, “colleagues”, “employees”, “3<sup>rd</sup> sector”, “other social enterprise” and “intermediary” relationships. Furthermore, 39% of all ties reported were intra-organisational with, significantly, 25% of these nominated as “Board members” or “Directors”.

The importance of direct Board level inputs was corroborated by the survey results pertaining to important influences on decision making by the respondents. These revealed that the participants (90%) view intra-organisational relationships as important to their decision-making process, viewing them as strongly as business networks (92.5%) and professional acquaintances (91%). Also, the data shows that 83% of participants specifically identified their “governing Board” as being “directly involved in the enterprise”.

When comparing these results to previous research some interesting comparisons emerge. The aforementioned Australian study by Barraket and Anderson (2010), although recognising Board members as being a source of support, did not attach the same degree of involvement in social enterprise decision making as seen in this study. Conversely, earlier work in the UK by Bull and Crompton was supportive of this project’s findings observing that for social ventures the “Board of directors were a key feature in decision making”, further enunciating that the majority of their sample viewed Board involvement as “critical to the success of the organisation” (Bull & Crompton 2006 p.54). However, as evidenced in this study, these authors also noted some exceptions where respondents commented that the Board caused operational issues by slowing down the decision-making process.



The study also demonstrates that social enterprises possess valuable social capital inherent in their external relationships and networks. The important nature of the relationship between social enterprise and its broader community is firmly established within the literature (Hockerts 2006; Nicholls & Young 2009; Pearce 2003; Teasdale 2012b). In fact social ventures are commonly viewed as community based enterprises (Pearce 2003; Peredo & Chrisman 2006) with the community being where they principally “explore and develop their business models” (Seelos et al. 2011 p. 335). This is supported by recent studies showing social enterprise to be predominantly a local phenomenon (Barraket et al. 2010; Leahy & Villeneuve 2009). As such the inherent social capital in the community is seen as a vital factor in the development of social enterprises (Birch & Whittam 2008; Mair & Marti 2006; Pearce 2003; Peredo & Chrisman 2006; Shaw & Carter 2007).

Echoing prior research the qualitative results showed a strong appreciation amongst the participants of the salience of community relations to social enterprise success. In this regard the respondents identified increasing community awareness, particularly in terms of the impact of social enterprise activity, as critical. These findings were also reflected in the quantitative results which identified that contemporary social enterprise leaders view both community and governmental support to be important factors in terms of the sustainability of their enterprises.

Furthermore the quantitative data confirms, in line with recent surveys, that the social enterprises in this study are active across all areas of the community (Barraket et al. 2010; Villeneuve 2011). The findings show approximately 50% of reported ties being external to both the organisation and the sector, thus providing external linkages with the community including customers, suppliers and government for example. In fact the importance of governmental relations was a strong theme in the results and is covered at length later in this chapter.

Thus overall the findings reveal a clear propensity by the social enterprise leaders to discuss organisational issues within a network of trusted contacts and that these networks are often extensive and include both internal and external connections. The participants identify having strong links with the individuals they state as being key relationships. However importantly these key trusted connections are identified as possessing weaker ties with the other network members than they possess with the social enterprise leaders themselves. Hence the results are supportive of prior research that suggests that the entrepreneurial networks of social

entrepreneurs, consisting of a mix of “core dense ties” incorporating key stakeholders such as “local communities, political parties and local government representatives” combined with “a number of weaker ties required to bring in new ideas and resources” (Blundel & Lyon 2012 p. 11) facilitates the identification of opportunities that can lead to organisational growth for social ventures.

### **7.3.3: Networks and collaboration**

Networks and collaborative alliances may confer benefits to an enterprise in areas such as cost sharing, innovation and access to resources (Hoang & Antoncic 2003; Huggins & Johnston 2010; Martinez & Aldrich 2011; Starr & Macmillan 1990; Tsai & Ghoshal 1998). Successful networks and alliances are more likely where strong trusting relationships based upon shared values and goals exist (BarNir & Smith 2002; Brunetto & Farr-Wharton 2007; Nooteboom 2006; Prusak & Cohen 2001). Since social enterprises are “embedded in a network of actors with similar social engagement goals” (Meyskens et al. 2010a p.426) they are able to “utilise networks to build local credibility and support for their social enterprise” (Shaw & Carter 2007 p. 431). Therefore these ventures benefit from networks and collaborative activity through associated resources and legitimacy.

The findings are therefore important as they confirm a framework of networked collaborative practice. The survey data identified that over 92% of respondent’s business networks were an important element of their 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. In fact a number of respondents explicitly recognised the importance of operating in “a multi-stakeholder environment” with several specifically detailing local and national collaborative social enterprise frameworks such as the “Yellowbrick Road” group in Australia or the “Ready for Work” program in Scotland.

Although the findings demonstrated an overall recognition of the importance of collaborative networks, further analysis of the quantitative results reveals some differences in terms of collaborative activity between social enterprise organisational types. The enterprises structured as NFP were more likely to collaborate with other social enterprises than those

under a For-Profit structure with over 80% stating 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 represents an important difference, indicating a greater motivation amongst the NFP social enterprises to both pursue and undertake collaborative action with other social enterprises.

Thus overall this study confirms that contemporary social enterprise leaders recognise the importance of and are actively engaged in networking and collaborative strategies as a means to achieving social enterprise sustainability.

#### **7.3.4: Government relations and social enterprise**

An important relationship identified by the participant social enterprise leaders of this study was their relations with government and the influence this has upon the success of their organisations. As such the results deliver important findings given that social enterprise has increasingly attracted the attention of government (Barraket et al. 2010; Blundel & Lyon 2012; Scott & Teasdale 2012) and governmental relations and public policy are viewed of significance to social enterprise development (Barraket & Weissman 2009; Blundel & Lyon 2012; Coburn & Rijdsdijk 2010; Scott & Teasdale 2012). This is particularly important as in a number of areas of marked social exclusion where social enterprise regularly operates, these ventures are unable to sustain themselves without “a supportive political environment to counterbalance a lack of market opportunities” (Scott & Teasdale 2012 p. 152).

Importantly therefore this research determined considerable cross-country variation in governmental engagement with social enterprise. Although a positive relationship with government was an important issue across the majority of respondents, the data clearly identifies that Scottish social enterprises perceive themselves as receiving far more public support than their Australian counterparts. This is evidenced in the quantitative data wherein 85% of respondents in Scotland as opposed to only 70% in Australia answered positively when asked whether they experienced “government support”. This point was strongly supported by further survey data that explored whether the respondents specifically received any public funding. Whereas 65% of the Scottish social enterprises confirmed that they had received “public donation” only 24% of the Australian respondents reported receiving support. This represents a significant difference between the two constituencies.

However, despite this disparity in overall sentiment, both groups indicated very similar views when identifying the specific areas in which government relations could provide further support to their enterprise. Not surprisingly, of particular note here was the need for additional funding across the sector. Scholars have consistently acknowledged the importance and challenges of funding social enterprises (Barraket & Anderson 2010; Burkett 2013; Mendall & Nogales 2009; Nicholls 2006) as a key aspect of social enterprise development as discussed earlier in this thesis.

Other governmental initiatives identified by the respondents as offering potential for the sector are summarised in the following categories:

- Specific policy development for the sector.
- Increasing governmental and community awareness of social enterprise.
- Strategic government procurement initiatives.
- Training and development support.

The governmental policy development opportunities identified by this research fell into two areas, one relating to organisational structure and the other that demonstrated a considerable and widespread frustration with government bureaucracy. Pointedly again, and perhaps resonating with the findings in terms of overall government satisfaction outlined above, the comments relating to policy change were largely attributable to the Australian cohort.

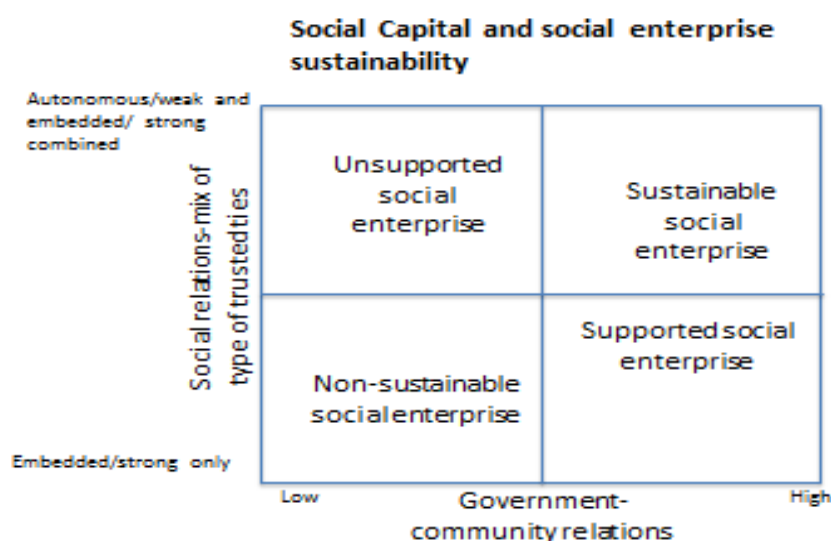
These findings are consistent with a recent Australian study that observed a “frustration at the level of red tape” when “dealing with government” amongst social ventures (Barraket & Anderson 2010 p. 25). The data thus suggests potential for Australian policy makers to streamline bureaucratic process in relation to social enterprise. Such comments were not forthcoming from the Scottish contingent perhaps indicating greater satisfaction with governmental policy and practice in Scotland.

Furthermore, the Australian participants discussed the need for new legal structures to be developed for social enterprise to better reflect their purpose and support their growth. This theme was not apparent in the Scottish data, perhaps reflecting the innovative developments that have emerged in the UK in relation to social enterprise legal structure, notably the advent of the Community Interest Company (CIC) specifically designed to foster the development of social enterprise in the UK (Doherty et al. 2009; Galera & Borzaga 2009; Teasdale 2012b).

Such initiatives are important as structure plays an important role for social enterprises impacting the resourcing, functioning and performance of social enterprises (Meyskens et al. 2010a; Townsend & Hart 2008) and as suggested by this research structure is therefore an important strategic issue for these ventures.

Echoing prior UK and Australian findings (Barraket & Weissman 2009; Lyon et al. 2005; Smallbone et al. 2001) another key theme that spanned both international groups was the important role that government can play in raising the awareness of social enterprise in the community. More specifically, participants from both countries identified government procurement as a core issue for social enterprise development. This finding supports the view of Barraket and Weissman (2009 p.1) who reported a growing awareness amongst practitioners and policy makers alike of the potential of social procurement to “maximise the power of governments as purchasers to support social enterprise”. Moreover, a recent Scottish Government report also specifically identifies the development of relationships to build important trust as a precursor for enhanced social procurement activity through government-social enterprise collaboration (Stewart 2012). Finally, in alignment with prior research, the participants of this study also identified the need for governmental assistance in terms of tailored business training for social enterprises (Hines 2005; Hynes 2009; Lyon & Ramsden 2006; Social Traders 2013).

Thus the results of this study suggest that government, as well as community relations, is an important factor in the sustainability of social enterprises. Hence it is suggested that by recognising the salience of both the social capital of the social enterprise leader and the nexus between social enterprise and governmental-community relations there exists the potential for policy makers to impact the development of sustainable social enterprises in the community as the following matrix illustrates.



**Figure 7.3.4: Social capital and social enterprise sustainability matrix**  
(Created by author for this paper)

The model suggests it is possible to categorise four types of social enterprise in relation to their potential sustainability. This is useful for policy makers and practitioners alike as the model identifies that it is possible to use social capital to not only influence the sustainability of an individual social enterprise but also to strategically manage the portfolio of social enterprises in a community and thus increase the social impact of the domain overall. The challenge for policy makers and practitioners therefore in terms of social enterprise sustainability is to identify the conditions under which positive aspects of the intra community relations of social enterprise can be leveraged and extended by simultaneously developing extra community networks at both a micro and macro level.

Thus the research has important findings in terms of governmental relations with the social enterprise sector, particularly in the Australian context. It suggests both a markedly lower level of engagement with the sector in Australia by comparison and further identifies a number of key areas where the sector sees opportunities for policy makers to positively impact development.

#### **7.4: Research findings PRQ2: What is the role of trust in the development of sustainable social enterprises?**

Trust, as a core dimension of social capital, represents a pivotal element of the beneficial collaboration, support and reciprocal behaviour associated with strong networks (Portes 1998; Putnam 1993; Woolcock 1998). To recall, trust is generally viewed as a willingness to be vulnerable (Nahapiet & Ghoshal 1998; Rousseau et al. 1998) inferring a readiness to depend on others (Brunetto & Farr-Wharton 2007). However within trust there is also a belief that someone will conform to the inherent expectation or agreement (Nooteboom 2006). Therefore trust may involve “controlling” mechanisms such as contractual or hierarchical relationships or alternatively a perception of inherent self- interest that represents an “incentive” mechanism that delivers an element of control (Nooteboom 2006).

The findings of this study identified the shared values and goals of the social enterprise domain, evidenced in the qualitative data concerning purpose, substantiating Shaw and Carter’s observation that “social entrepreneurs are greatly motivated by their social aims” (2007 p. 425). This therefore provides a basis to argue the existence of “identification trust” which is the outcome of shared values and goals (Nooteboom 2006) in the domain of social enterprise.

Hence the existence of identification trust in the social enterprise domain represents a potentially important factor in the sustainability of these ventures. However surprisingly, although social capital is a recognised strength of social enterprise (Bull et al. 2010; Pearce 2003; Seanor & Meaton 2008) trust itself has attracted limited specific sectoral research (Ridley-Duff & Bull 2011). This is despite scholars positing that trust can be an important factor for value-based organisations, particularly where these organisations engage in business-like activity (Mair & Marti 2006) or collaboration (Meyskens et al. 2010a) and that trust may be an important factor in social enterprises gaining community support (Shaw & Carter 2007).

This research suggests a strong inclination towards trust amongst social enterprise leaders, particularly with respect to their own social and sectoral networks as the following key results illustrate:

- 95% of respondents agreed that they anticipated that people in their social network would tell them the truth.

- 97% stated that they believed if a member of their network promised to do a favour they would carry this through.
- Also 90% agreed that “most people are basically honest”.
- Over 73% stated that they could confide in people in their social network and know that they would not divulge this information to others.

Further results indicated that a high level of trust was evident in the networking perceptions, intentions and actions of the respondents. For example:

- 96% identified that “they speak openly to other social enterprises about their operation” whenever they felt that they could assist another social venture.
- Only 19% stated that they “watch for misleading information” when speaking to other social enterprises.
- 72% of participants felt that there was a strong “kinship” amongst social enterprises.
- 78.5% stated that social enterprises “try to work together”.
- 73% also confirmed that most social ventures “support each other when there is a need”.
- 70% of the social enterprises reporting that they had been actively “working with other social enterprises for some time”.

These findings were consistent irrespective of organisational type or country, thus suggesting a common trait across social enterprise practitioners.

Moreover, importantly, the quantitative results of this research also show:

- Trust is significantly and positively correlated (.387\*\*\*) to experience in networks amongst the social enterprises of this study.

However, despite such trust-based networks seemingly offering latent potential for commercially beneficial collaboration and support:

- *Trust was not shown to be related to the growth of social ventures by this study.*

#### **7.4.1: Conclusions in relation to Hypothesis H2 and trust within social enterprise**

Hence the combined findings of this study *do not* support Hypothesis H2 which stated:



***Hypothesis H2: Trust impacts the sustainability of social enterprises by enabling organisational growth through collaboration.***

In summary the findings identify:

- Very high levels of trust in social enterprises.
- There are strong trusting networks with the majority of enterprises working with other social ventures.
- That the leaders of contemporary social enterprise further identified collaborative networks as a key factor in the sustainability of social ventures.
- The role of trust in social enterprise sustainability is therefore unclear as the results also show that trust is not related to the growth of the social ventures in this study.

The results suggest that in practice the closed trusting networks of social enterprises are not currently being utilised in a commercially growth-focused manner by contemporary social ventures. The trust identified in this research therefore presents strategic opportunities for practitioners and policy makers, particularly if it can be harnessed to take advantage of diverse weaker ties also apparent in this study's data. This research has thus uncovered important new information about the nature and potential of social capital within the realm of social enterprise.

## **7.5: Research findings RQ3: The role of intermediaries**

A further goal of this research project was to explore the role of intermediaries in social enterprise development thus:

*RQ3: What is the role of intermediaries in the development of sustainable social enterprises?*

### **7.5.1: The role of intermediaries**

Social enterprise intermediaries are specialist organisations that assist ventures with social goals through “an intermediation role” that involves “aggregating and matching finance, skills, physical collaboration space, evidence, technologies and networks” (Shanmugalingam et al. 2011 p.18). These entities are recognised as having the potential to play an important role in developing the field of social enterprise (Australian Productivity Commission 2010; Burkett 2013; Chertok et al. 2008; Mendell & Nogales 2009; Porter & Kramer 1999; Sunley & Pinch 2012) however in Australia to date “the role of intermediaries ... has not been well understood” (Burkett 2013 p.7). This is perhaps manifested in the fact that “there are

relatively few intermediaries” offering support to the sector in Australia (Australian Productivity Commission 2010 p. LVIII) whereas Shanmugalingam et al. declare that there are “over 100 organisations that fit our broad definition” of a social enterprise intermediary in the UK (2011 p.19). This led the Australian Productivity Commission to go so far as to state that “in contrast to the experience in several other countries ... intermediaries are relatively under developed” in Australia and that “the experience in the UK points to the important role that government can play in building the supply of intermediary organisations” (2010 p. 234).

The findings of this study align with the literature indicating that social enterprise leaders view intermediary support as important to the success of their ventures. However this research shows that although 90% of the Scottish respondents reported having “received support from intermediaries” only 68% of their Australian counterparts indicated such. Thus approximately a third of all the Australian participants described receiving no or minimal intermediary support whereas only 10% of the Scottish group reported this lack of assistance. This represents a considerable difference and aligns with the project’s associated findings comparing governmental support for social enterprise in Australia and Scotland that illustrate a similar relative disparity.

In terms of the actual support being received from intermediaries by social enterprise, the research identifies that both sets of participants nominated very similar generic categories of intermediary assistance namely:

- Financial/ funding support
- Advisory/ consultancy assistance
- Networking / business development support and,
- Training/ business skills assistance

These categories are both consistent with previous UK studies (Hines 2005; Lyon & Ramsden 2006; Shanmugalingam et al. 2011) and furthermore this research aligns with the long-standing recognition of the need for specialist sectoral intermediaries (Hines 2005; Lyon & Ramsden 2006; Peattie & Morley 2008b). Indeed recent research extends this view observing that intermediaries need to be “transformational” rather than purely transactional in their relationship with social enterprise (Burkett 2013) providing both knowledge and funding assistance (Sunley & Pinch 2012) and fulfilling a range of interrelated functions such

as capability development, innovation, advocacy, research and capacity/ market building (Burkett 2013; Shanmugalingam et al. 2011).

It is therefore of consequence that the Scottish respondents reported receiving far greater levels of support in areas beyond basic funding assistance such as coaching and consulting as well as networking and business development support than reported by the Australians. For example, 35% of the Scottish participants reported receiving networking or business development support from intermediaries whereas only 17% of the Australian cohort indicated such. Similarly 75% of the Scottish respondents acknowledged intermediary coaching or advisory assistance compared to 38% of the Australians.

Such a fundamental process requires a social policy framework that underpins these initiatives and research has posited a key role for specialist social enterprise intermediaries in a multi-stakeholder engagement model to facilitate the development of sustainable social enterprise activity (Burkett 2013; Mendell & Nogales 2009; Shanmugalingam et al. 2011). Given this study's findings in relation to the growth aspirations and importance of networks and collaboration to contemporary social enterprise leaders as well as the importance of community-governmental relations to social enterprise sustainability such extended intermediary assistance is therefore salient. The apparent relative lack of both public and intermediary support reported by the Australian respondents in this study is therefore of importance.

In summary there is thus growing evidence that intermediaries play an important role in the development of sustainable social enterprises. However this study suggests, in line with previous findings, that intermediaries are not well understood by Australian policy makers and consequentially Australian social enterprises report considerably less support from such entities.

## **7.6: Chapter summary**

This chapter has interpreted and discussed the combined results of this study in the light of prior research. It thus confirms previous findings that identified that the strategic application of collaborative networks, organisational capabilities and resourcing as well as the ability to secure legitimacy amongst the community are key factors in the success of social ventures (Sharir et al. 2009). However, notably this work extends prior research by further demonstrating the existence of an over-arching, commercially focused, growth orientation

identified by contemporary social enterprise leaders as the dominant factor in the attainment of organisational sustainability.

Also, and using the lens of social capital theory, the research produced insights into the fundamental importance of social capital to the success of social enterprise. Not only do the findings reveal important perspectives about the structural nature of social enterprise relationships, providing insights into strategic opportunities to leverage the inherent strong and weak connections identified in the research, but the results furthermore provide important new evidence relating to the degree and type of trust inherent in the domain.

Moreover, this research specifically reveals appreciable variation in terms of governmental relations with social enterprise. As such the results suggest considerable opportunity for Australian policy makers to develop the domain and unlock the growth potential and aggregated socio-economic benefits that social enterprise offers. The findings furthermore suggest that the extended use of specialist intermediaries may provide government with an important strategy in facilitating the development of sustainable social ventures in Australia.

## **CHAPTER 8: CONTRIBUTIONS OF THE RESEARCH**

This chapter considers the contribution this research makes to our understanding of the important factors that facilitate the development of sustainable social enterprises, concluding with a discussion of the limitations of the research.

### **8.1: Summary of the important contributions**

This research has a number of key implications for theory and method: From a theoretical position, the research supports the proposition that social enterprise policy frameworks are emphasising the mode of business networks over the mode of social networks for the generation of sustainable social enterprise. To this end, results from the qualitative study indicate that sampled social enterprise owners appear to place an increasing importance in generating business growth acumen. Further, quantitative results indicate that business growth acumen has a comprehensive impact in improving social outcomes, and its value is thus paramount. Subsequently, these results suggest that the logics of business and community are becoming increasingly integrated within the context of more than full cost recovery social enterprise. Additionally, the thesis extends the social capital view of the firm by positioning business networking as an indicator of sustainable competitive advantage, and examines the role of business growth acumen and social network structure as resources that impact on this performance variable. The thesis also presents empirical evidence concerning the impact of specific social capital on enterprise outcome, thereby extending existing social capital theory.

The thesis further contributes to extant research methods by providing a validated mechanism to investigate the impact of social capital on performance variables in the emerging field of more than full cost recovery social enterprise. To this end, the thesis validates variables that measure social enterprises experiences of networks and propensity toward trust. The scales provide a mechanism to undertake multivariate analysis for the purposes of examining the consequences of possessing particular social capital structures. This compliments existing social capital analysis methods, which can be restrictive with respect to the transferability of results.

In pursuing its research objectives this research has therefore uncovered important new insights that both support prior research and enhance our understanding of the factors that influence the sustainability of social enterprises. The section proceeds to summarise the following key findings and their contribution to knowledge as follows:

1. The fundamental role played by the social capital of social enterprise in the sustainability of these ventures.
2. The commercially focused strategic growth orientation identified amongst the social enterprise leaders in this study.
3. The influence of organisational structure on social enterprise success.
4. The role of intermediaries and social enterprise development.
5. Contributions relating to the methodology and design of the research.

#### **8.1.1: Social capital and social enterprise**

An important contribution of this study is the insight it provides into the critical role played by social capital in social enterprise sustainability. For when viewed in combination, the findings reveal several important new perspectives into this phenomenon namely:

- New empirically based insights into the relationships of social enterprise leaders that illustrate the strategic potential they offer towards social venture sustainability.
- Findings that for the first time provide an empirically based perspective into the type and abundance of trust inherent in these relationships and the potential this may offer the sector for collaborative activity and growth.
- A deeper understanding of the fundamentally important relationship between social enterprise and its community, including government and the impact that this may have on social enterprise success.

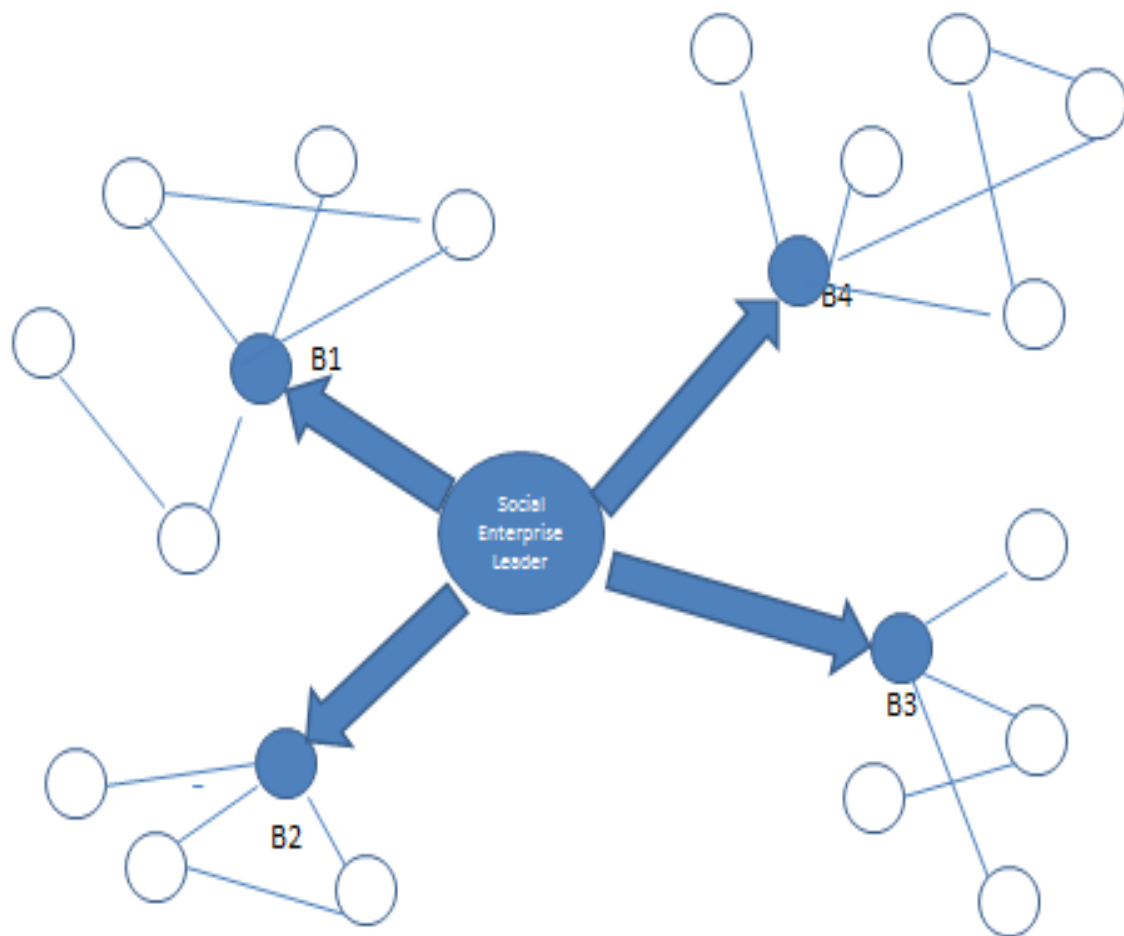
These contributions are now discussed in turn commencing with the strategic potential of the relationships and networks of the social enterprise leaders.

##### **8.1.1.1: The important relationships and networks of social enterprise leaders**

Firstly the results provide, for the first time, detailed empirical data concerning the strength and extent of the important relationships of contemporary social enterprise leaders. As a result they provide a better understanding of the strategic opportunities that these

relationships present for social enterprise leaders to access and develop important resources, influence, support and organisational legitimacy.

Theory has previously established that the social capital inherent in the relationships of an entrepreneur or small business leader is an important factor in the success of an enterprise (Ardichvili et al. 2003; Brunetto & Farr-Wharton 2007; Starr & MacMillan 1990). This includes social entrepreneurs and their social enterprises (Di Domenico et al. 2010a; Hynes 2009; Mair & Marti 2006; Shaw & Carter 2007). As such, the results of this study are important as they provide empirical evidence of the unique mix of both strong and weak connections possessed by contemporary social enterprise leaders. The findings indicate that given the application of appropriate strategies, social enterprise has the potential to both harness the benefits and minimise the disadvantages associated with these connections. The following diagram illustrates the networks of contemporary social enterprise leaders as identified by this research and the potential this represents for strategic development.



**Figure 8.1.1.1: Structural holes of social enterprise leaders**

(Adapted from Burt 1997; Lee 2009)

Figure 8.1.1.1, as suggested by this study, illustrates that the social enterprise leader has strong ties to their close, trusted connections who themselves have weak and/or non-existent connections with each other (in this case B1-B4 representing by way of example four Board members). These Board members then further possess their own network of external connections. The diagram therefore suggests that by brokering the structural holes to access the extended networks and the weaker connections of their strong ties, social entrepreneurs are able to beneficially access the information and influence that these more diverse networks offer (Burt 1997). This potentially mitigates disadvantages associated with over-reliance upon the strong cohesive networks found to be prevalent amongst the respondents of this study. For strong networks tend to deliver overly redundant information leading to group think and ossification (Burt 1992; Nahapiet & Ghoshal 1998) which may stifle the development of social ventures (Seelos et al. 2011). Moreover if the different ties are



strategically marshalled then the strong trusted ties of social enterprise leaders may be used to optimise the access to non-redundant information, influence and opportunity provided by the more diverse connections by leveraging the superior support, reciprocity and solidarity that such cohesive networks offer (Burt 2001). This is particularly important in terms of enabling the potential of innovative commercial opportunities that may be presented by the extended networks associated with the Boards of these enterprises for example. As a result, social enterprises may harness the strength of “trusted weak ties” (Levin & Cross 2004) which, given the lack of a positive relationship between social enterprise trust and growth identified by this research, may be an important missing element in developing commercially successful collaborative social enterprise networks.

#### **8.1.1.2: Trust and social enterprise**

This study for the first time delivers empirical evidence of the nature of the trust inherent in the domain of social enterprise as the results confirm the existence of a high degree of identification trust based upon the fields’ shared values and goals. Moreover, and of importance in terms of the sustainability of these ventures, whilst on the one hand the results suggest that trust and experience in networks are positively and significantly correlated there was found to be no relationship between trust and growth apparent in the data. Hence, despite trust seemingly offering latent potential for commercially beneficial collaboration and support it is not shown to be related to the growth of social ventures by this study.

This is an important finding in its own right; however it is even more notable when viewed in the light of the other findings of this study. For the social enterprise leaders specifically identified collaborative networks to be an important factor in their sustainability and a commercially focused growth orientation was deemed to be the dominant factor in social enterprise sustainability in this research.

Hence these are important findings with implications for the sustainability of these ventures and they present a basis for future research to gain further understanding of the potential offered by the social capital of social enterprise to the success of these ventures. The results of this research suggest that the relationships of contemporary social enterprises represent the potential to be a key capability with important implications for social enterprise sustainability. However to access this potential requires not only an appreciation and understanding of the social capital of social enterprise but also strategic leadership, investment and managerial application by the leaders of these ventures to capture the

potential on offer to the domain. To fully unlock this potential it is important that contemporary social enterprise leaders strategically utilise the weaker connections of their extended networks in conjunction with the trust inherent in the strong social enterprise networks to secure sectoral growth through the facilitation of successful collaborative partnerships.

#### **8.1.1.3: The social enterprise –community–government nexus**

The research further confirms the critical relationship between social ventures and their community and government as the literature identifies that they play a key role in the activity and development of social ventures (Birch & Whittam 2008; Haugh 2007; Pearce 2003; Peredo & Chrisman 2006; Seelos et al. 2011) providing the potential for beneficial symbiotic community networks (Meyskens et al. 2010a). Moreover, social capital theory identifies that the social capital of an organisation is impacted by community and governmental relations (Adler & Kwon 2002) at a macro and micro level, including both intra and extra-community relations (Woolcock 1998). The findings of this study therefore add further weight to these notions, suggesting that the social capital of social enterprise, if strategically marshalled, represents a potentially beneficial symbiotic relationship for both social enterprises and their communities.

Given that social enterprises are recognised as delivering social impact, including building positive social capital in the community (Bull et al. 2010), these relations can, in turn, provide significant benefit to these ventures. Awareness of the positive impacts may enhance the legitimacy of social enterprise in the community, leading to greater governmental, community and corporate support in general. Thus this process can deliver specific community benefits at a micro level such as increased competitive advantage to social ventures in terms of consumer decision making. It can also provide increased reciprocal and altruistic behaviour from the community such as volunteering as well as corporate and governmental support at an institutional level. Such benefits are important, as in line with earlier findings, this research clearly shows that the majority of social enterprises remain multi-resource operations dependent upon both growing their trading income as well as other external funding streams such as critical government and philanthropic/corporate support to sustain themselves (Barraket & Anderson 2010; Ridley-Duff & Bull 2011).

Thus this study demonstrates the relationships of social enterprise are a key factor in social enterprise sustainability. These various and inter-related relations have the potential to create

a virtuous circle of social enterprise–community social capital whereby the social impact and community social capital generated by the activities of the social enterprise leads to increasing legitimacy and community support with associated resourcing opportunities that positively impact the sustainability of these ventures. Such sustainability then leads to ongoing benefits to the community and thus a virtuous circle based upon the social capital of social enterprise is created as the following diagram illustrates.



**Figure 8.1.1.3: The virtuous circle of social enterprise social capital and the community**  
(Created by author for this paper)

#### **8.1.1.4: Summary the social capital of social enterprise**

Therefore the social capital of social enterprise, if strategically marshalled, is argued to be both an important asset as well as a fundamental capability for the sector. The results of this study clearly identify the existence of abundant identification trust as well as a unique mix of strategically beneficial and internally and externally diverse strong and weak ties amongst the social enterprise leaders of this study. Moreover the importance of community and government relations to the sustainability of these ventures is confirmed in these results. Hence the symbiotic social enterprise–community–governmental nexus, in combination with the strategic application of the sectoral trust and strong and weak ties of the social entrepreneur offers considerable potential to influence the prospects of sustainability for a social venture.

As such, this research provides substantive empirical backing to the proposition that social capital is potentially both a key strength (Bull et al. 2010; Pearce 2003; Peredo & McLean 2006) as well as an organisational capability of the social enterprise domain (Haugh 2009). The social capital of social enterprise thus presents as both a fundamental facilitating and complementary factor in social enterprise sustainability notwithstanding the fact that the field's inherent trust is seemingly unconnected to the growth of these enterprises, perhaps representing a latent opportunity for the sector. The implications of these findings are discussed in the final chapter of this thesis.

#### **8.2: The key factors that facilitate social enterprise sustainability**

The study provides a further contribution by demonstrating that contemporary social enterprise leaders also identify an inherent strategic commercial intent as a primary driver of success when considering the sustainability of their ventures. This strategic intent is a specific growth orientation associated with traditional commercial practices of cost recovery and profitability and as such a key factor in social venture's ability to deliver sustained social impact, representing a significant contribution of this research. This study not only confirms prior research that argued the importance of resourcing, legitimacy, networks and organisational capabilities to the survival of social ventures (Sharir et al. 2009) but importantly extends this work. As this project further identifies that, like any traditional business, contemporary social enterprises possess an overarching and unambiguous

orientation towards profitability and growth, viewing their achievement as the gateway to organisational sustainability.

Hence this research, supporting prior findings (Dees 1998a; Doherty et al. 2014; Florin & Schmidt 2011; Peattie & Morley 2008b; Townsend & Hart 2008), argues a duality of inherent socio-economic focus in social enterprise. However it extends this notion by empirically demonstrating a pragmatic overarching orientation amongst contemporary social enterprise. For the data shows that irrespective of ideological foundations, social enterprise leaders first and foremost identify a need for the enterprise to be commercially sustainable with a key factor in attaining this goal being the achievement of organisational growth.

Furthermore this research empirically suggests that this commercially based growth orientation is consistent across the social enterprise domain. Importantly this orientation is shown to be evident in both the Australian and Scottish social ventures as well as spanning the spectrum of social enterprises sampled irrespective of structure, culture, size and age thus representing a contribution to our understanding of this emergent field. The implications of this commercially focused growth orientation for policy makers and practitioners are considered in the final chapter of the thesis.

### **8.3: The influence of structure on social enterprise sustainability**

The findings relating to social venture structure provide further important contributions to our understanding of the factors that influence social enterprise sustainability. For despite the diversity of social enterprise structure being recognised as a major feature of the domain (Alter 2006; Galera & Borzaga 2009; Teasdale 2012b) limited comparative research has been undertaken in this area, particularly in relation to the sustainability of these ventures. As such, the results of this study provide new insights into the importance of the selection of organisational structure by social enterprise leaders and the potential impact this may have upon their development.

Prior research suggests that social enterprise organisational selection is variously influenced by the need to access resources and achieve legitimacy as well as the history and values of the enterprise (Barraket & Anderson 2010; Meyskens et al. 2010a). Whilst corroborating such findings at a macro level this research further suggests that for the overwhelming majority of contemporary social ventures, the selection of organisational structure is in fact unambiguously driven by pragmatic rather than ideological perspectives. The decision is thus

a strategic decision contingent upon aligning the structure to optimise the potential for organisational sustainability. Indeed importantly this research empirically demonstrates that this pragmatic view toward structure is consistent across social enterprise types as both the For-Profit as well as the Not-for-Profit participants unambiguously identified sustainability related issues as the predominant factors in their structural choice.

Given that the majority of respondents reported resourcing to be of importance to the sustainability of their ventures the comparative insights of this study relating to structure are therefore important contributions with major implications for policy makers and practitioners. For the social ventures that reported being structured as For-Profit were markedly less likely to receive external resourcing support from government, intermediaries, foundations and the community compared to those structured as Not-for-Profit.

Hence such entities are likely to have far greater reliance on generating and growing their trading income and similarly face more pressure to manage their enterprises efficiently. Indeed, the results confirm that the For-Profit participants reported being more likely to recover costs, with a greater intent to achieve profitability. This group also perceived growth to be more important than the NFP participants similarly reporting a much greater reliance upon the personal funding of the social entrepreneur compared to the NFP structures.

As such, the results suggest the potential for greater commercial fragility for social enterprises structured as For-Profit as they may be more prone to market conditions and organisational performance and have less access to alternative resourcing sources than NFP structures. This is particularly the case given that these entities also indicated a lower propensity towards collaboration than their NFP counterparts, with considerably smaller numbers of “trusted” relations to draw important support and complementarity and reciprocity benefits from.

On the other hand the For-Profit respondents also reported possessing a greater number of weaker ties in their extended networks, throwing up the potential for greater access to beneficial information and influence, particularly new commercial opportunities. Given the importance of the flow of new information to the development of any business and moreover the acknowledgment by the participants in general of the salience of innovative, entrepreneurial activity as an important factor in social enterprise development the weaker ties of For-Profit structures may represent important potential for sectoral growth in this respect. Thus the strategic application of social capital initiatives such as collaborative

relationships and the development of strong and weak ties discussed above also have structural considerations that need to be factored in by policy makers looking to access the aggregated benefits of the social enterprises in a community.

On this note a potential insight for decision makers, although based upon a relatively small sub sample of fifteen respondents, identifies a group of participants that have purposefully evolved a “mixed” structural framework for their operations to optimise the benefits associated with the strategic combination of alternative structural forms. Seemingly undertaken by more mature and larger social enterprises, typically run by experienced social enterprise leaders, this approach, although offering potential, is however likely to be an expensive option and may not be suitable to small, emerging entities.

Another question to emerge from the results was whether the currently available forms of organisational structure were appropriate and effective for social enterprise. The data revealed some clear differences here. A number of Australian participants identified frustration with the options available in Australia. Such views were not evident in the Scottish data, perhaps as a result of the introduction in the UK of the CIC as a policy specific response to the perceived need for social enterprise to have a tailored organisational form to assist in the field’s development. The findings therefore suggest that there is potential for Australian policy makers to learn from and build upon UK experience in this area. Hence the comparative analysis of this research has contributed to our understanding of the importance of structure in social enterprise development.

#### **8.4: The role of intermediaries in social enterprise development**

The literature suggests that intermediaries play an important role in social enterprise development (Burkett 2013; Chertok et al. 2008; Sunley & Pinch 2012). Prior research furthermore proposes that government similarly is highly influential in the success of social ventures, particularly given that government is a major influence upon intermediary development (Australian Productivity Commission 2010; Coburn & Rijdsdijk 2010; Mendell & Nogales 2009). The findings of this research fully corroborate these suppositions. Indeed there is a very close correlation in the results between the public support and intermediary support reported by the participants. However, importantly these findings furthermore both amplify and extend our understanding of the important role intermediaries can play in the development of sustainable, impactful social enterprises.

Firstly, the data reveals substantial cross-country variation in terms of both intermediary and governmental relations with social enterprise. The results reveal that Scottish social ventures report considerably higher levels of both public and intermediary support than their Australian counterparts. In fact, contrary to the general Australian view, a number of Scottish social enterprises expressed the sentiment that both government and intermediaries play a positive role in social enterprise development. This is despite agreement across both groups of the importance of intermediary support in relation to social enterprise sustainability through, as predicted by prior research, the delivery of integrated, specialised intermediary support (Burkett 2013; Shanmugalingam et al. 2011).

However, deeper analysis of the comparative data of this study reveals notable cross-country variation in the application of the range of support services actually delivered by intermediaries. The findings detail that Australian social enterprises report not only receiving less support from intermediaries but that the assistance received is limited primarily to funding-related activities alone. Conversely the Scottish participants, whilst similarly reporting the receipt of critical assistance in terms of financing, further identified receiving a more holistic and integrated range of support from their intermediaries including, importantly, assistance with building collaborative networks and business development activities in general. This is a role identified in the literature as being critical to the development of sustainable social enterprises.

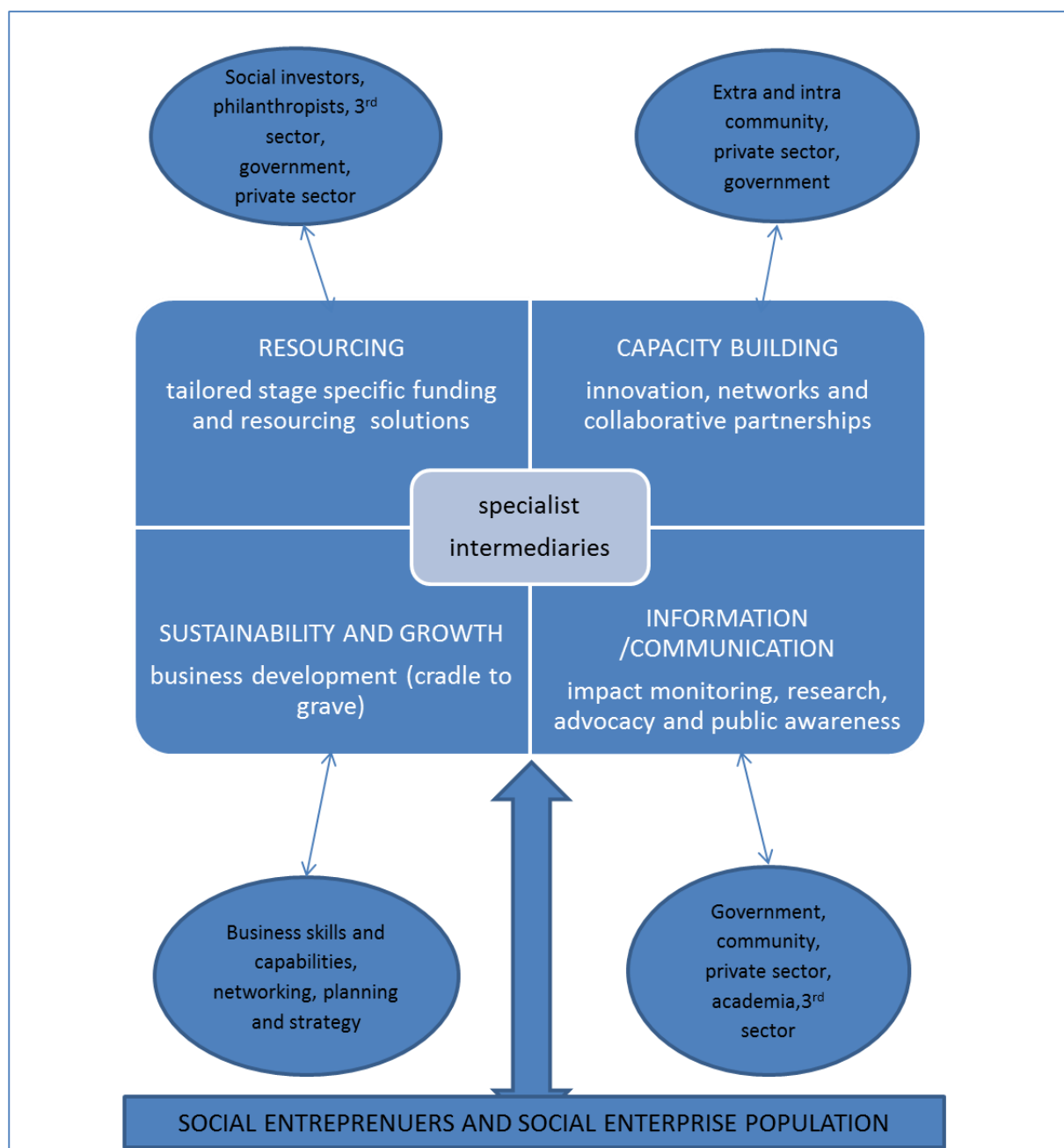
Given this study's broader findings relating to the growth aspirations of contemporary social ventures and the importance of community/governmental relations and the associated collaborative networks to social enterprise development these findings therefore have important implications for Australian policy makers. For they indicate considerable opportunity to unlock the growth potential and aggregated socio-economic benefits that social enterprise offers by introducing policy initiatives to extend the role of intermediaries. These entities can play a transformational role in the development of the aggregated social enterprise potential within a community through not only their ability to help establish new social ventures but also their ability to build sectoral capacity and impact by increasing social ventures' capabilities.

An important component here is the fostering of collaborative partnerships that enable the sector to grow by securing important commercial opportunities. Intermediaries can foster such activity not only by facilitating and developing relationships but also by helping to



generate greater community awareness of the impact of social enterprise, particularly amongst key stakeholders such as investors and government. Intermediaries thus provide a framework to unlock the aggregated potential of social enterprise and generate the future high impact social enterprises that the community needs.

Hence the results of this research suggest the following theoretical model of the role of intermediaries in social enterprise development. The model draws upon and amplifies prior research that recognises a holistic, integrated role for these important entities (Burkett 2013; Shanmugalalingam et al. 2011). This further emphasises the potential of intermediaries as facilitators of collaborative partnerships to meet market opportunities as well as providing a critical information and communication channel for the sector, monitoring and reporting the impact of the field to key stakeholders and the community at large and thus facilitating a sustainable high impact social enterprise sector.



**Figure 8.4: Theoretical model of the role of intermediaries in the development of Australian social enterprise**

(Adapted from Burkett 2013; Shanmugalalingam et al. 2011)

Such a framework, as suggested by recent literature (Burkett 2013; Shanmugalalingam et al 2011; Social Traders 2013) would be aligned to not only the development of nascent social enterprises but importantly look to support these ventures to grow and sustain themselves throughout their lifecycle. For despite the recent emergence of both Federal and State funding initiatives to propagate and develop social enterprises in Australia, such as the nationally

focused Social Enterprise Development and Investment Funds initiated in 2011 (SEDIF), research continues to identify that grant funding, whilst essential, is not sufficient to ensure the sustainability of social enterprises (Burkett 2013; Social Traders 2013). What is required is ongoing support through all stages of social enterprise organisational development delivered by specialist entities that provide not only financial assistance but an integrated and tailored suite of business support services to these ventures (Burkett 2013; Social Traders 2013).

Hence the research has made contributions in terms of the important role that intermediaries can play in the development of sustainable social enterprises in the context of their relationships with government and the community as a whole, particularly in the Australian context. As discussed in the concluding chapter of this thesis, the continued propagation of specialist intermediaries through public policy initiatives that deliver a range of specialised support mechanisms to the field of social enterprise is viewed as an important opportunity for Australian policy makers to positively impact the success and sustainability of the social enterprise field and is of interest to this study.

### **8.5: Methodological contribution**

This project's research design, purposefully enabling exploratory comparative analysis across a variety of social enterprise types to be undertaken, is an important methodological contribution of this study. The comparatively large sample (by sectoral research standards) of social enterprises in this study enabled participants to be categorised by organisational structure, allowing for the identification of indicative patterns associated with specific types of social enterprise. This provided new insight into these categories to further develop our understanding of this diverse field as a whole.

Moreover, academics have advocated the need for research that incorporates comparative analysis to better inform the social enterprise domain (Short et al. 2009). By incorporating a range of Australian and Scottish participants this study therefore delivers new insights into the field as it enables international comparison across important dimensions of social enterprise sustainability.

Scholars have also argued the need to extend the predominantly qualitative research into the domain to date to incorporate more mixed and quantitative research projects (Haugh 2009; Hynes 2009; Nicholls 2010; Peattie & Morley 2008b; Short et al. 2009). Although, as a "pre-

paradigmatic” field (Nicholls 2011) this creates some challenges for researchers in accessing appropriate samples, this project has demonstrated an ability to source and integrate both qualitative and quantitative data relating to social ventures that enables a better understanding of the research issues under investigation.

Therefore this study is novel; it is one of a very small number of studies that incorporates both quantitative and qualitative reasoning to examine the business dynamics of the social enterprise. To this end, the research outcomes build on existing social enterprise research by providing a causal understanding concerning the role of social capital and the business to business networks for improved viability and growth potential of these enterprises. Subsequently, the results pose significant implications for current policy and practice concerning the resources and forms of capital necessary to enhance the community impact of social enterprise. Such results are also important for improving the viability of the sector as a whole through systems and policy level interventions.

## **8.6: Limitations of the research**

Despite this research making a number of important contributions to our understanding of the factors that impact social enterprise sustainability there were several inherent limitations in the study. Firstly, although the sample selected for the project was comparatively large in terms of prior research in the field and for what is a predominantly exploratory study it is not of sufficient size to allow more than a limited amount of reliable correlational analysis (Hair et al. 2010; Tabachnick & Fidell 2007).

Secondly, the generalisability of the results is limited in a number of other ways. The sample selected, for example, meant that whilst being relatively large compared to most domain-specific research it only captured relatively small numbers of some of the organisational types, such as Co-operatives for example, thus limiting the comparative analysis. Moreover, the sampling was only based upon two countries thus limiting the generalisability of the results.

Furthermore, the respondents specifically targeted were the individual social entrepreneurs/ social enterprise leaders within the enterprises meaning that multiple perspectives were not gathered from within these organisations. Similarly, the views of other stakeholders or members of associated networks were also not elicited thus potentially limiting the insights into the phenomenon.

## **CHAPTER 9: DISCUSSION OF THE IMPLICATIONS ARISING FROM THE RESEARCH**

### **9.1: Implications from the research**

The previous chapter examined the major contributions of this study. These findings inform not only researchers but practitioners and policy-makers alike, providing contributions to our understanding of how to better develop sustainable social enterprises. Thus the concluding chapter of this thesis will discuss the implications of these important findings for policy makers and practitioners before culminating with a review of future research opportunities suggested by the results.

### **9.2: Implications for policy makers**

Firstly, in terms of policy, as government continues to play a central role in social enterprise development this research has important implications. This is particularly so given the growing recognition amongst policy makers that social enterprise offers an important alternative service delivery model and therefore scalable and replicable models of social enterprise are being sought by governments.

Hence by illuminating the importance of social capital to social enterprise sustainability this study firmly establishes the salience of social capital as a key policy lever for decision makers in relation to social enterprise development. The potential to foster increased socio-economic benefit for the community through the development of sustainable, community centric, networked social enterprises is achievable given a framework of targeted policy focused upon developing both the important intra and extra community relationships of the domain.

Thus the collaborative potential of social enterprise suggested by this study should be fostered through policy initiatives that develop relationships between government and social enterprise. The development of innovative governmental procurement strategies is a key opportunity here and as such the emerging use of social benefit clauses by some Australian government authorities is a step forward. By harnessing the inherent trust and purpose of the social enterprise field in combination with progressive procurement policy, government can influence the creation of collaborative sectoral alliances that not only deliver community value but enable the field to scale up and better aggregate its capabilities This allows it to

successfully deliver contractual engagements with government and the private sector resulting in a more sustainable and impactful sector going forward.

Indeed this study suggests that Australian policy-makers could benefit by considering the experiences of social enterprise policy initiatives. These findings indicate considerably more governmental involvement in social enterprise development in Scotland where an advanced strategic approach towards social enterprise by government appears to be creating collaborative activity within the sector. This study therefore indicates considerable potential for Australian policy-makers to learn from the experiences of their Scottish counterparts and seek to develop a framework of specialist social enterprise intermediaries to support and execute strategies aimed at developing the potential of social enterprises.

In fact this research supports the notion that the Australian Government should seek to facilitate the development of specialist sector intermediaries. Such specialised operators should be targeted to deliver more than simply traditional financing assistance, incorporating a holistic support platform that includes a key role in actively working with social enterprises over time. This would include providing expert support in areas such as business development and networking and would importantly also accommodate the differing requirements of various social enterprise types as well as the changing support required at different stages of social enterprise development. Recent government social enterprise funding initiatives in Australia, such as the SEIDF, have encouragingly utilised intermediaries to manage the process. However, notwithstanding the fact that funding remains a key issue for social venture development, these programs have not emphasised a holistic approach to the development of social enterprises overall.

The findings thus suggest that intermediaries represent a structural opportunity for Australian policy makers to engage with the sector and by so doing deliver positive socio-economic benefits to the community. Moreover this research indicates that Australian policy makers can advance their understanding of how best to adapt their strategic response to this opportunity by learning from the more advanced intermediary frameworks already developed in the UK.

The research further suggests that Australian policy-makers can significantly influence the development of sustainable social enterprises by introducing alternative legal structures for the domain similar to new forms that have emerged around the world in the response to the growth of social enterprise. An example, evident in this study, is the CIC model developed in

the UK. This bespoke structure seeks to deliver the best option for businesses driven by a social purpose such as social enterprises and could be adapted for the Australian context.

Government should also aim to reduce and simplify the bureaucracy associated with its relationships with social enterprise. This study suggests that Australian social enterprises find dealing with government to be onerous and costly. Given that this study, in line with prior research, identifies that social enterprises are largely small businesses often reliant upon government support, such administrative overheads are a barrier to social enterprise sustainability.

Finally, these findings suggest that a major role that government can play in the growth of the social enterprise domain is to promote awareness of the sector and its importance throughout the community to further stimulate the development of the critical relationships that form the basis for the long term sustainability of the field. A key opportunity suggested by this study is to promote awareness about social enterprise within government circles itself, particularly public procurement departments. Whilst a few innovative public authorities in Australia have, in line with Scottish initiatives, started incorporating “community benefit clauses” in government procurement contracts there remains considerable potential for Australian policy makers to develop such initiatives further.

### **9.3: Implications for practitioners**

Turning to practitioners, this research provides several important insights to assist in their ability to positively impact upon the organisational sustainability of social enterprises. Firstly, the findings show that at a macro level, like any traditional business, to achieve organisational sustainability contemporary social enterprise leaders stress the fundamental need to possess an unambiguous orientation to profitably grow the enterprise by achieving more than full cost recovery. Such an orientation necessitates that social enterprise leaders define and undertake strategies to secure and grow consistent revenue streams as well as developing and augmenting organisational capabilities and resources.

On this basis, an important implication for practitioners to emerge from this project is the pivotal opportunity offered by the inherent social capital of social enterprise to facilitate the sustainability of social ventures. Representing both a key resource and a fundamental capability for the domain this study indicates that the latent social capital inherent in both the personal relationships and networks of the social enterprise leader, if marshalled strategically,

offers the social entrepreneur an important platform from which to access critical resources. Thus delivering access to beneficial information as well as legitimacy and multiple funding streams and opportunities for collaborative activity that can significantly impact the sustainability of their enterprises.

Similarly this study suggests that social enterprise leaders must recognise the salience and invest in the development of their community and governmental relations. For these relations offer abundant opportunity for social entrepreneurs to strategically develop effective collaborative alliances to enhance organisational performance, growth and sustainability as well as enhanced trading outcomes. Indeed if developed successfully the symbiotic relationships that social enterprises can build within the community and with government offer the unique potential of a virtuous circle of sustained social impact delivered by community supported social enterprises.

However social enterprise leaders must be mindful that to access the potential of their social capital requires not only a fundamental understanding of the nature of their various relationships but also the instigation and execution of appropriate strategies to optimise the network profiles. Only in this way will they optimally leverage their position in their extended networks, providing access to resources, reciprocity and support from their close connections as well as securing new information, opportunities and influence from their extended diverse contacts. Such activity requires considerable investment from a business and therefore, given that social enterprises are typically small and “resource poor” it not only needs to be done well but careful management is needed to ensure the efficiency and cost-effectiveness of such strategies. One such strategy would be to proactively pursue ties with social enterprise intermediaries to access and leverage their knowledge, expertise and networks in both initiating and furthermore developing collaborative networks.

Another important strategic tool for practitioners highlighted by this research is the selection of organisational structure. Social entrepreneurs need to carefully weigh up the advantages of various organisational legal structures available for their ventures both at creation and as they grow as structure has a significant influence on the commercial sustainability of these entities through its impact on issues such as access to types of funding, legitimacy and the perception of organisational quality and competency. One potentially successful approach is to access the benefits of both NFP and for-profits structures by establishing a framework of inter-related entities. This strategy, whilst possessing tangible benefits, is however likely to be



expensive to execute, maintain and govern so may be difficult for emergent enterprises but may offer much to larger, more mature, growing social businesses.

This study also confirms, in accordance with prior research, that social enterprises, particularly in their early stages of development are by necessity multi-resource organisations. Therefore social entrepreneurs must recognise the need to undertake a range of income-related strategies as their earned income streams develop over time. Indeed a number of highly experienced social entrepreneurs reported that achieving a position of 100% earned income is challenging for many social enterprises, certainly in their early stages of development. This is particularly important for “for-profit” social ventures that are far less likely to access external funding support and as such much more dependent upon earned income, thus adding further weight to the importance of the networking strategies suggested previously as a means to identify diversified commercial opportunities.

Similarly, if social enterprise is to successfully develop its commercial base social enterprise leaders must embrace marketing as a critical competency of any social venture. For example, the latent marketing opportunity that the social legitimacy of these ventures offers the domain must be exploited. For legitimacy provides social enterprise with a distinct commercial competitive advantage if developed appropriately both in terms of consumer marketing and trading activities as well as more broadly within the community in terms of collaboration and support. Social enterprise must therefore communicate with its community effectively to ensure that all stakeholders understand the added value offered by the field, notwithstanding the inherent challenges in quantifying some aspects of social impact, and thus leverage the differential advantage that this creates. This in turn means that social enterprise leaders, like any market-driven business, must focus on the delivery of quality outputs by their enterprise to ensure that customer experience continues to match expectation.

#### **9.4: Future research opportunities**

Not surprisingly given the exploratory nature of this study and the emergent status of the social enterprise domain, abundant potential for future research emanates from this project. Indeed most of the major contributions of this research are associated with areas that have to date experienced limited prior research such as social enterprise relationships, the inherent trust within the domain and the factors that lead to the growth of social ventures. This section therefore nominates a selection of immediate opportunities for future research in several key categories suggested by this study.

#### **9.4.1: The social capital of social enterprise**

- Detailed mapping of the extended networks of social enterprises to identify a deeper understanding of the specific nature of the relationships and the inter-relatedness between connections and the opportunities that they offer.
- Examination of the extent to which social enterprise leaders purposefully undertake strategic network development activities.
- What factors assist or hinder the development of commercially successful social enterprise collaboration?
- What are the attributes of social enterprise leaders that successfully utilise their relationships and associated networks?
- What specific relationships and networks are most beneficial to social enterprise growth? For example, do the extended networks of the Board of Directors facilitate access to wider networks thus delivering access to valuable resources, influence, legitimacy and solidarity? Do these networks deliver the information needed to enable social enterprises to identify development opportunities?
- How do the trusted relations of social enterprise facilitate or hinder the commercial activities of social ventures?
- Can the inherent trust in the sector enable social enterprises to both collaborate and compete?
- What types of collaborative alliances support social enterprise growth?
- What are the attributes of successful partnerships in the domain? Studies that explore the nature, benefits and failings of collaborative partnerships involving social enterprises, their community and government would lead to a better understanding of the issue.

#### **9.4.2: Social enterprise growth**

- What are the main enablers and inhibitors to social enterprise growth?
- How do the key drivers of growth alter as a social enterprise moves through the stages of organisational development?
- Does the pursuit of commercially focused growth lead to mission drift?
- Alternatively, can the legitimacy of social enterprise in fact be complementary in the growth of social ventures?

- What factors enable the creation and application of a competitive advantage by social enterprise?
- How does organisational structure impact social enterprise growth?

#### **9.4.3: Role of intermediaries**

- Explore the nature, extent and impact of contemporary intermediary support in Australia. What is done well and what areas offer potential for development?
- How can intermediaries better align with the sustainability and growth needs of social ventures at all stages of organisational development?
- Undertake a cross-country comparative study of intermediary activity and impact in relation to social enterprise development.
- What are the key determinants of successful intermediary-social enterprise relations? What is the role of trust in this relationship?
- Examine the role of intermediaries in both developing and leveraging the social capital of social enterprise.

#### **9.5: Concluding comments**

There has been an increasing focus from policy makers, practitioners and academics alike for over a decade upon a group of organisations broadly categorised as social enterprises. These are ventures that aim to achieve social goals through the utilisation of traditional business practices. Despite acknowledged challenges in quantifying some aspects of their value to society there is broad-based agreement that these ventures offer the community considerable potential for socio-economic gain. However given their dual socio-economic purpose their ability to sustain themselves as commercially viable entities is often problematic.

As such, this research contributes to an understanding of the factors that help facilitate sustainable social enterprises, identifying the key role played by the social capital of social enterprise in this process as well as the importance of cultivating and successfully administering a growth orientation in these enterprises. Consequentially the study identifies important implications for practitioners and policy makers alike as well as illuminating abundant opportunities for further research.

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## APPENDICES

### Appendix 1: Success in Social Enterprise

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This survey asks questions about **your** social enterprise, **your** networks and **the** decisions you make for your enterprise. The researchers are Dr Rod Farr-Wharton and Mr Peter Jenner, University of the Sunshine Coast. Your responses will be strictly confidential. No individuals or individual companies will be identified. The information will be used to identify the factors that affect sustained success of a social enterprise, and decision-making about new opportunities. Please contact the researchers if you have any problems with the questions or processes used to collect data. You will need to set aside about 20 minutes of “quiet-time” to complete this survey.

**Please circle your response to the following questions**

#### A. Demographics

<b>1</b>	<b>Are you male or female?</b>	Male	Female
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<b>2</b>	<b>What is your age (in years)?</b>	<35	35-44	45-54	55-64	65+
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<b>3</b>	<b>How many years have you been operating this social enterprise?</b>	<1	1-5	6-10	11-15	16-20	21-25	>25
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<b>4</b>	<b>What is your highest level of formal education? (Mark only one)</b>	A postgraduate degree (PhD or Masters)	Some graduate education (no higher degree)	A bachelor's degree	Some college or vocational training	High school senior certificate	Some high school education
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## B. Prior Knowledge

<b>5</b>	Is your enterprise Family owned?	Yes	No
<b>6</b>	Are you the original founder of this enterprise?	Yes	No
<b>7</b>	If 'No', how many founders were there?		
<b>8</b>	How many years of social enterprise experience did you have prior to operating this one?		
<b>9</b>	What year did your social enterprise commence?		
<b>10</b>	Including your current enterprise, how many social enterprises have you founded or co-founded?		
<b>11</b>	How many social enterprises like this one have you founded or co-founded?		

## C. Growth Aspirations

<b>12</b>	How much has your social enterprise grown in the past two years?	Low	Moderate	High						
<b>13</b>	What is the approximate growth rate for your social enterprise in the past two years?	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 20%; border: 1px solid black; padding: 5px;">Less than 5% p. a.</td> <td style="width: 20%; border: 1px solid black; padding: 5px;">5% - 10% p.a.</td> <td style="width: 20%; border: 1px solid black; padding: 5px;">11% - 20% pa.</td> <td style="width: 20%; border: 1px solid black; padding: 5px;">21% - 50% p. a.</td> <td style="width: 20%; border: 1px solid black; padding: 5px;">More than 50% p. a.</td> </tr> </table>				Less than 5% p. a.	5% - 10% p.a.	11% - 20% pa.	21% - 50% p. a.	More than 50% p. a.
Less than 5% p. a.	5% - 10% p.a.	11% - 20% pa.	21% - 50% p. a.	More than 50% p. a.						
<b>14</b>	Over the next one to two years, I expect my social enterprise to:	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 20%; border: 1px solid black; padding: 5px;">Decrease in size</td> <td style="width: 20%; border: 1px solid black; padding: 5px;">Stay the same</td> <td style="width: 20%; border: 1px solid black; padding: 5px;">Grow a bit</td> <td style="width: 20%; border: 1px solid black; padding: 5px;">Grow a lot</td> <td style="width: 20%; border: 1px solid black; padding: 5px;">Merge with another business</td> </tr> </table>				Decrease in size	Stay the same	Grow a bit	Grow a lot	Merge with another business
Decrease in size	Stay the same	Grow a bit	Grow a lot	Merge with another business						
<b>15</b>	Do you intend increasing your present market? Choose one response appropriate to your enterprise plans	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 20%; border: 1px solid black; padding: 5px;">No – I'm not interested in</td> <td style="width: 20%; border: 1px solid black; padding: 5px;">No – I'm not interested in</td> <td style="width: 20%; border: 1px solid black; padding: 5px;">Yes – I'm hoping that</td> <td style="width: 20%; border: 1px solid black; padding: 5px;">Yes – I am presently</td> <td style="width: 20%; border: 1px solid black; padding: 5px;">Yes – I am presently</td> </tr> </table>				No – I'm not interested in	No – I'm not interested in	Yes – I'm hoping that	Yes – I am presently	Yes – I am presently
No – I'm not interested in	No – I'm not interested in	Yes – I'm hoping that	Yes – I am presently	Yes – I am presently						

	increasing my market because:	increasing my market because it is too hard to employ new people	the market will grow naturally without me having to do much	trying some strategies to grow my market	trying lots of strategies to grow my market
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16	How many employees does the social enterprise have (both full & part time)?						
	0	1	2-5	6-10	11-20	21-50	>51

17	What is the average turnover per year, for your enterprise?						
	<50,000	<\$100,000	<500,000	<\$1 million	<\$5 million	<\$10 million	>\$10 million

<b>18</b>	<b>How many hours per week do you dedicate to this enterprise?</b>	
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<b>19</b>	<b>What is the level of professional expertise required in this enterprise?</b>	High	Low
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#### D. Operational Environment

20	Is the broader public aware of this social enterprise?					<div>Yes</div> <div>No</div>	
20a	How important is this awareness to your enterprise?						
	Not Important	Slightly Important	Fairly Important	Very Important	Extremely Important		

21	Do you receive or have you received support from intermediaries?	Yes		No	
21a	How important is support from intermediaries to your enterprise?				
	Not Important	Slightly Important	Fairly Important	Very Important	Extremely Important

<b>22</b>	<b>Does your enterprise attract regular media attention?</b>	Yes	No
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22a	<b>How important is media attention to your enterprise?</b>						
	Not Important	Slightly Important	Fairly Important	Very Important	Extremely Important		
23	<b>Does your enterprise attract significant cash donations?</b>					Yes	No
23a	<b>How important are these donations to your enterprise?</b>						
	Not Important	Slightly Important	Fairly Important	Very Important	Extremely Important		
24	<b>Does your enterprise attract significant in-kind donations?</b>					Yes	No
24a	<b>How important are these to your enterprise?</b>						
	Not Important	Slightly Important	Fairly Important	Very Important	Extremely Important		

25	<b>Does your enterprise have the support of local government?</b>					Yes	No
25a	<b>How important is local government support to your enterprise?</b>						
	Not Important	Slightly Important	Fairly Important	Very Important	Extremely Important		
26	<b>Does your enterprise have the support of government?</b>					Yes	No
26a	<b>How important is government support to your enterprise?</b>						
	Not Important	Slightly Important	Fairly Important	Very Important	Extremely Important		

27	<b>Are there issues in dealing with the broader public?</b>	Yes	No
	<b>If yes please specify.</b>		

## E. Organization

<b>28</b>	<b>In what area of the economy does your social enterprise operate? i.e Hospitality, retail etc</b>

<b>29</b>	<b>Who are your clients?</b>

<b>30</b>	<b>Does your enterprise have multiple divisions?</b>	Yes	No
<b>If yes how many?</b>			

<b>31</b>	<b>Do you recover all costs?</b>	Yes	No
<b>32</b>	<b>Is your social enterprise supported by public funds/donation?</b>	Yes	No
<b>32a</b>	<b>How important to your enterprise are these public funds?</b>		
	Not Important	Slightly Important	Fairly Important
	Very Important	Extremely Important	

<b>33</b>	<b>Do you commit a lot of your own funds to this enterprise?</b>	Yes	No
<b>33a</b>	<b>How important are these funds to your enterprise?</b>		
	Not Important	Slightly Important	Fairly Important
	Very Important	Extremely Important	

<b>34</b>	<b>Does your enterprise attract philanthropic funds?</b>	Yes	No
<b>34a</b>	<b>How important are these philanthropic funds to your enterprise?</b>		
	Not Important	Slightly Important	Fairly Important
	Very Important	Extremely Important	

<b>35</b>	<b>Does your team have relevant expertise relevant to your client base?</b>	Yes	No

35a	<b>How important is this expertise to your enterprise?</b>						
	Not Important	Slightly Important	Fairly Important	Very Important	Extremely Important		
36	<b>Does your team undertake relevant training at least once per year?</b>					Yes	No
36a	<b>How important is this training to your enterprise?</b>						
	Not Important	Slightly Important	Fairly Important	Very Important	Extremely Important		

37	<b>Is your governing Board directly involved in the enterprise (planning, networking etc.)?</b>					Yes	No
37a	<b>How important to your enterprise is this Board support?</b>						
	Not Important	Slightly Important	Fairly Important	Very Important	Extremely Important		

38	<b>Do you use a lot of planning for your enterprise?</b>					Yes	No
38a	<b>How important is this planning to your enterprise?</b>						
	Not Important	Slightly Important	Fairly Important	Very Important	Extremely Important		

#### F. Processes

39	<b>How did you identify the need addressed by the enterprise?</b>

40	<b>How important are the following to you as input into your decisions about your social enterprise?</b>					
		Not Important	Slightly Important	Fairly Important	Very Important	Extremely Important
a	Specific market knowledge.					
b	Family / Relatives.					
c	Understanding customer problems.					



d	Customers / Clients.					
e	Knowing ways to serve customers.					
f	Professional acquaintances.					
g	Social acquaintances.					
h	Industry experience & knowledge.					
i	Prior employment / Prior experience.					
j	Business associates / Partners.					
k	Business networks.					
l	Personal friends.					

#### G. Networks

41	How many people do you openly discuss important business with?						
	0	1	2	3-5	6-10	11-15	>15

<b>42</b>	Please list up to 7 trusted people from whom you receive information, advice or other resources that help you to operate your social enterprise. If there are less than 7, answer as many as appropriate.
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Persons Initials		Relationship (Supplier, Customer, Relative, Government Officer, etc.)			
a					
b					
c					
d					
e					
f					
g					

<b>43</b>	<b>How well do you personally know each of the people you have identified?</b>					
Persons Initials		Not at all	Slightly	Fairly Well	Very Well	Closely
a						
b						
c						
d						
e						
f						
g						

<b>44</b>	<b>How well do each pair of people on your list know each other, to the best of your knowledge?</b>					
<b>Persons Initials</b>		<b>Not at all</b>	<b>Slightly</b>	<b>Fairly Well</b>	<b>Very Well</b>	<b>Closely</b>
a	Person A knows Person B?					
b	Person A knows Person C?					
c	Person A knows Person D?					
d	Person A knows Person E?					
e	Person A knows Person F?					
f	Person A knows Person G?					
g	Person B knows Person C?					
h	Person B knows Person D?					
i	Person B knows Person E?					
j	Person B knows Person F?					
k	Person B knows Person G?					
l	Person C knows Person D?					
m	Person C knows Person E?					
n	Person C knows Person F?					
o	Person C knows Person G?					
p	Person D knows Person E?					
q	Person D knows Person F?					
r	Person D knows Person G?					
s	Person E knows Person F?					
t	Person E knows Person G?					
u	Person F knows Person G?					

#### H. Trust

**Based on your personal experience, please respond to the following statements by placing an "X" in the appropriate box:**

	<b>Personal Experience</b>	<b>Strongly Disagree</b>	<b>Mildly Disagree</b>	<b>Neutral</b>	<b>Mildly Agree</b>	<b>Strongly Agree</b>
<b>45</b>	People usually tell the truth, even when they know they would be better off, or gain advantage, by lying					

<b>46</b>	If I arranged a meeting with someone in my social network, I would be certain they would be there.					
<b>47</b>	If they think you are ignorant of their specialty, most business consultants will overcharge					
<b>48</b>	If a person from my social network promised to do me a favor, they would follow through.					
<b>49</b>	Most people can be counted on to do what they say they will do					
<b>50</b>	I could talk freely to people in my social network and know that they would want to listen.					
<b>51</b>	Most people are basically honest					
<b>52</b>	I would be able to confide in people from my social network and know that they would not discuss this with others.					
<b>53</b>	Most experts can be relied upon to tell the truth about the limits of their knowledge					
<b>54</b>	I would expect people in my network to tell me the truth.					

## I. Personal Goals

<b>55.I am in this social enterprise because</b>	
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(Please list your main reason(s) below)		

My social enterprise is located where it is because:		Strongly Disagree	Mildly Disagree	Neutral	Mildly Agree	Strongly Agree
56	The location gives me the right work / life balance					
57	It is close to my clients					
58	There are other firms in the same industry here					
59	I like the lifestyle options here					
60	It is cost effective to be located here					

#### J. Experience of Networks

		Strongly Disagree	Mildly Disagree	Neutral	Mildly Agree	Strongly Agree
61	Generally, I think that other social enterprises use confidential information to their own advantage					
62	Most local social enterprises support each other when there is a need					
63	Generally, when speaking to other social enterprises, I tend to					

	watch for misleading information from them					
<b>64</b>	Generally, I misrepresent my enterprises capabilities when speaking to competitors					
<b>65</b>	I have been working with other social enterprises for some time					
<b>66</b>	Local social enterprises often try to work together					
<b>67</b>	There is a strong feeling of “kinship” amongst the local social enterprises					
<b>68</b>	Generally, I tend to speak openly to other social enterprises about my operation if I think they could benefit from my input					
<b>69</b>	I have worked with other social enterprises to secure business contracts					

#### K. Measures of Success

<b>Success in my social enterprise is measured by:</b>		<b>Strongly Disagree</b>	<b>Mildly Disagree</b>	<b>Neutral</b>	<b>Mildly Agree</b>	<b>Strongly Agree</b>
<b>70</b>	The degree to which we achieved the declared goals					
<b>71</b>	Our ability to ensure service continuity					
<b>72</b>	The size of our growth and development					
<b>73</b>	The number of new services we can offer the community each year					
<b>74</b>	Answering needs not addressed by existing services					

<b>75</b>	Commercial/financial measurements					
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<b>76</b>	Which of the following best describes the strategic approach to cost recovery in your enterprise?			
	<b>No attempt at cost recovery</b>	<b>We aim for less than full cost recovery</b>	<b>We aim to achieve full cost recovery</b>	<b>We aim to achieve more than full cost recovery i.e. a surplus/profit</b>
<b>77</b>	Do you use a business plan?			
<b>78</b>	How is your social enterprise legally structured? Why did you select this form?			
<b>79</b>	How does your enterprise allocate any profit/surplus?			
<b>80</b>	What form(s) of support has your enterprise received from intermediaries?			
<b>81</b>	Does your enterprise attract any corporate support?  If so what form does this take?			
<b>82</b>	How could government further assist your enterprise?			

Thank you very much for your time

## **Appendix 2: Participation statement**



### **RESEARCH PROJECT INFORMATION SHEET**

#### **TITLE OF PROJECT: EXPLORING THE SOCIAL ENTERPRISE: FACTORS IMPORTANT TO SUSTAINABILITY.**

#### **Participation Statement**

Participation in this research project is completely voluntary. Any participant can discontinue participation at any time without need for an explanation. If the participant withdraws the information they have provided will not be used in the research and will be destroyed.

#### **Principal Researcher details:**

Peter Jenner,  
Faculty of Business,  
University of the Sunshine Coast  
Tel. 07-5456-5146  
Email: [pjenner@usc.edu.au](mailto:pjenner@usc.edu.au)

#### **Supervisor details:**

Dr Rod Farr-Wharton,  
Faculty of Business,  
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#### **Purpose of the Research**

The purpose of this research project is to gain a better understanding of the key factors that facilitate the development of commercially sustainable social enterprises. By so doing the research will inform policy makers, investors, practitioners and all key stakeholders on how to best develop the potential of sustainable social enterprises in their communities.

All information provided at interview is strictly confidential and interview anonymity is guaranteed. Participants will receive a summary of the research findings.



### **How to make a complaint**

If you have any complaints about the way this research project is being conducted you can raise them with the Principal Researcher or, if you prefer an independent person, contact the Chairperson of the Human Research Ethics Committee at the University of the Sunshine Coast: (c/- the Research Ethics Officer, Teaching and Research Services, University of the Sunshine Coast, Maroochydore DC 4558; telephone (07) 5459 4574; facsimile (07) 5430 1177; email [humanethics@usc.edu.au](mailto:humanethics@usc.edu.au)).

On behalf of the research team and the University of the Sunshine Coast thank you for your time, insights and valued participation.

Yours faithfully,

Peter Jenner

### Appendix 3: Consent to participate in research



University of the  
Sunshine Coast

#### CONSENT TO PARTICIPATE IN RESEARCH

#### EXPLORING THE SOCIAL ENTERPRISE: FACTORS IMPORTANT TO SUSTAINABILITY (HRE: S/11/320)

I have read and understood the contents of the Research Project Information Sheet for the above research project.

I realise that this research project will be carried out as described in the Research Project Information Sheet, a copy of which I have kept.

Any questions I have about this research project and my participation in it have been answered to my satisfaction.

I agree to participate in the research project; *exploring the social enterprise: factors important to sustainability*.

I give consent for data about my participation to be used in a confidential manner for the purposes of this research project, and in future research projects.

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Participant

---

Date

## Appendix 4: Results from Location questions

### 56.WORK/LIFE

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly disagree	12	12.8	13.2	13.2
	mildly disagree	8	8.5	8.8	22.0
	neutral	22	23.4	24.2	46.2
	mildly agree	16	17.0	17.6	63.7
	strongly agree	33	35.1	36.3	100.0
	Total	91	96.8	100.0	
Missing	System	3	3.2		
Total		94	100.0		

### 57.CLOSE CLIENTS

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly disagree	7	7.4	7.6	7.6
	mildly disagree	8	8.5	8.7	16.3
	neutral	19	20.2	20.7	37.0
	mildly agree	23	24.5	25.0	62.0
	strongly agree	35	37.2	38.0	100.0
	Total	92	97.9	100.0	
Missing	System	2	2.1		
Total		94	100.0		

### 58.CLOSE SAME TYPES

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly disagree	30	31.9	33.0	33.0
	mildly disagree	22	23.4	24.2	57.1
	neutral	15	16.0	16.5	73.6
	mildly agree	13	13.8	14.3	87.9
	strongly agree	11	11.7	12.1	100.0
	Total	91	96.8	100.0	
Missing	System	3	3.2		
Total		94	100.0		

### 59.LIFESTYLE

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly disagree	17	18.1	18.7	18.7
	mildly disagree	10	10.6	11.0	29.7
	neutral	21	22.3	23.1	52.7
	mildly agree	22	23.4	24.2	76.9
	strongly agree	21	22.3	23.1	100.0
	Total	91	96.8	100.0	
Missing	System	3	3.2		
Total		94	100.0		

### 60.COST EFFECTIVE LOCATION

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly disagree	8	8.5	8.6	8.6
	mildly disagree	9	9.6	9.7	18.3
	neutral	22	23.4	23.7	41.9
	mildly agree	22	23.4	23.7	65.6
	strongly agree	32	34.0	34.4	100.0
	Total	93	98.9	100.0	
Missing	System	1	1.1		
Total		94	100.0		