Introduction

Start where you are. Use what you have. Do what you can. ~ Arthur Ashe
Chapter 1

Introduction

The term social entrepreneurship may have different meanings for different people but the point of agreement for everyone is its potential to solve social problems. The world has started realizing the contributions made by social enterprises in improving the quality of life. Especially after the financial meltdown of 2008, the discussion around social entrepreneurship took on added urgency (Skoll, 2009). The talks to create favorable ecosystem for this has started world over. Most recently in India, the Securities and Exchange Board of India (SEBI), India’s financial market regulator, floated a policy paper suggesting the need to separately recognize and regulate “Social Venture Funds” (Asian Development Bank (ADB), 2012).

But this meltdown had a flip side as well. This has reduced the corporate and International funds available to this sector. This has added to the challenges faced by these legitimate models for transformative social change, which was already facing many challenges along with the financial crunch. Dees (1998a) says that this revolutionary idea of solving social issues on a business platform itself presents functional and organizational culture related challenges.

The study has identified some of these challenges faced by social entrepreneurs from the perspective of different stakeholders, using mixed method of research. Through qualitative research it has identified challenges and factors which can have an effect on these challenges. Then a framework of these challenges and the affecting factors was developed. Through this framework the quantitative phase explores the relationship between these factors and challenges, using a structured questionnaire. Analysis, based on the responses of the questionnaire revealed the intensity of these relationships.
This study will enable the Government, the policy advocacy bodies and the support agencies to create a ecosystem which nurtures the social enterprises. This will also be useful for the social enterprises in identifying the challenges beforehand and create a mitigation strategy. This report can also be referred by funding agencies in getting a better understanding of the social enterprise space.

1.1 Rationale for Study

The world today is very different from what it was a few years back. The resources are becoming scarce and competition is becoming increasingly fierce. The organizations working on issues related to improvement in the quality of human life are also facing the brunt. Many agencies, including NGOs working in this sector are overwhelmed with magnitude of the problem, the scarcity of resources and the increasing competition for these resources. Dees (1998a) mentions that to face the competition, due to fewer donations & more ‘for profit firms’ entering into social sector, nonprofits are forced to look for alternate funding options or leverage the commercial arena. In this process of being commercially viable, organizations are doing something which they have not done till now i.e. changing their own mindset and thinking about generating profits. As a strategy to sustain and thrive, these organizations are restructuring their business model. This gave birth to a phenomenon called ‘social entrepreneurship’. In simple terms, it refers to solving social problems by using business principles.

However, the application of business principles creates a very different set of problems. The mindset of NGOs, about profit being bad and is associated with exploitation of others, is undergoing a transition. But at the same time thinking about generating profit is also not easy. It is making them question their own intentions. This in-turn also makes it difficult for others to trust them. The path of the decision makers of these new business models is not easy. The idea sometimes presents conflicting interests and difficult choices. This pursuit of commercial
viability put forwards operational and cultural challenges for nonprofits (Dees, 1998b). There was a need to identify these challenges so that a more relevant and acceptable solution can be developed. This will help in creating a more conducive eco-system.

There have been 4 reports published in 2012 in this regard i.e. two by Intellecap, one by GIZ and one by Asian Development Bank. All these reports have been prepared by practitioners. These reports highlight the fact that the practitioners felt a need for this kind of research whereas the academicians are till now debating about the definitions. The report by Asian Development Bank (2012) even admits that there is limited data available to help understand this space. It also emphasizes that for the growth of this sector, it is important to have a close look at the challenges of these social purpose companies.

1.2 Research Questions

To fill the gap of knowledge and application, this study focused on the challenges faced by social enterprises. The research questions for the study are:

1) What are the challenges that the social enterprises face in this dynamic world of limited resources?

2) How these challenges could be mitigated?

The social enterprises are working on various issues. These ‘social issues’ or ‘areas of operation’ have been classified in six areas (‘Health, Civic Engagement, Environment, Human Rights, Learning/Education and Economic Development’) as
per the definition given by ‘Ashoka: Innovators for Public’\(^1\) (Bornstein, 2006). Ashoka has a working definition for all of these six sectors.

All these areas of work are vast and their issues may be slightly different from each other. Thus, in order to achieve reasonable success and fulfillment of the dual objective of the practitioners’ utility and academic contributions, this study focuses on a domain and recognized specific and generic challenges faced by the firms in that domain. The domain identified for this study is Livelihood Sector (Referred by Ashoka, as Economic Development). The word ‘Economic Development’ may create confusion by suggesting its association with macro economy. Thus, this sector is being referred as livelihood. This definition given by Ashoka has been accepted and used. The repute and experience of Ashoka in this sector has been instrumental in this regard.

The choice of livelihood as the focus of the study was based on the increasing importance of skilled manpower (Intellecap, 2012) and suitable employment opportunity for everyone. According to another report by Intellecap, livelihood is the third largest sector amongst all the areas of work in social enterprise space (Allen et al, 2012). This sector also affects (directly & indirectly) all the other sectors of work. In case of India, to encash its demographic dividend, this sector will have to play a crucial role.

Based on the Research questions, the gaps identified through literature review and the evidences gathered through preliminary exploratory research, a few objectives were identified for further examination.

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\(^1\) Ashoka was created by W. Drayton to support, mentor and fund social enterprises. It provides support in terms of fellowship to the social entrepreneurs. For more information visit [www.ashoka.org](http://www.ashoka.org/).
1.3 Objectives:

1. To study the challenges of the different stakeholders comprising of entrepreneur, employees (Internal) and beneficiary group (external) of Social Enterprises in Livelihood Sector

2. To identify factors which can have an effect on challenges of social enterprises in livelihood sector

3. To study the effect of identified factors on challenges of social enterprises in livelihood sector

The study will contribute in preparing a more conducive eco-system for social entrepreneurs by reducing the challenges identified by the study.

1.4 Research Methodology:

The current state of empirical research in social entrepreneurship offers a modest basis for further theory building and testing purposes (Hoogendoorn, Pennings and Thurik, 2010). This young field of research borrows theories from many other domains like social science, psychology, and economics amongst others. This necessarily suggests an abundance of research opportunities especially related to theory creation (Hoogendoorn, Pennings & Thurik, 2010). This study attempts to fill this knowledge gap.

In order to fulfill the objectives of the study, mixed method has been explored. Morgan (1998) suggested that mixed method design is appropriate to identify the elements of an emergent theory. It is often used for developing and testing the theory (Creswell et. al., 2004). This justifies the mixed method as the research design for this study. Amongst the different types of mixed method, the Sequential Exploratory Strategy (Terrell, 2012) has been used for the study. In this, the initial
phase of qualitative data collection and analysis is followed by a phase of quantitative data collection and analysis.

First phase of this exploratory study has been done qualitatively using case research. The cases were identified on the basis of two criteria’s i.e. age of the organization and geographical spread of the organization. The age of the organization is further divided in three parts i.e. start-ups, growth phase and mature. The geographical spread is divided in two parts i.e. geographically wide spread and geographically limited spread.

For data collection of this phase, the methodological triangulation (Denzin, 1970) has been done via – semi-structured interviews, micro-ethnography and focus group. The interviews were done with the entrepreneurs and the employees of the social enterprises. The focus groups were conducted with the beneficiary groups. Under micro-ethnographic data, the field notes of the researchers were considered. These multiple means of data collection have been used to increase the robustness of the research (Eisenhardt, 1989). This also removed the biasness from the source of the data.

The transcripts of the data gathered from various sources were analyzed using ‘Grounded Theory’ (Glaser and Strauss, 1967). This analysis consists of the three step approach of coding and encoding endorsed by Strauss and Corbin (1990) i.e. open coding, axial coding, and selective coding.

The analysis yielded 19 constructs. In the last step of analysis, these 19 constructs were categorized in two categories namely challenges and affecting factors, based on the pre-decided definition of these terms. This gave the basic theory, which was grounded in the data, about the relationship between the constructs.
Then these constructs have been developed into a questionnaire for the second phase. This was done with the dual purpose of assessing the empirical validity of the theory and identifying the intensity of the relationship between the constructs.

In the second phase of quantitative research, the questionnaires were administrated on the social entrepreneurs and the decision makers of the social enterprises. The data collected through questionnaires were analyzed with the use of structural equation modeling (SEM). SEM has been used because it goes beyond ordinary regression and incorporates multiple dependent and independent variables. Thus, it could verify multiple relationships amongst challenges and affecting factors. As suggested by Bagozzi (1980) SEM is appropriate for testing the theory developed by the qualitative research. For applying SEM, the partial least square method (PLS) approach has been used. This analysis provided the significance of the relationships between the constructs.

Some of the important relationships were in concordance with the findings of the reports published by practitioners.

1.5 Scope of the Study

This study focuses on the social enterprises working in the area of livelihood. For choosing these enterprises, many databases of Indian social entrepreneurs and enterprises were explored.

An Indian agency ‘Karmyogi’ also has the list of enterprises working in the development sector. But that list includes all the developmental organizations without any clear demarcation of social enterprises. It does not have any categorization in terms of their sector of work. Thus, this database could not be used. Two other databases of Schwab Foundation and Ashoka were explored for identifying the social enterprises. The limitation of these sources is that they
recognize individuals only and not the enterprises. But in view of a properly combined list, this limitation could be overlooked.

Finally, the study limits its scope to the database of Ashoka Fellows. The reason for this is the authenticity of the list of Ashoka fellows and its volume, which is highest amongst the other databases available in Indian context. As a proof of their seriousness, their selection process is very rigorous and they have strong network of their fellows. Till now they have identified more than 350 social entrepreneurs in India whereas database of Schwab Foundation has the details of 250 social entrepreneurs and most of them are common to the Ashoka’s list.

In the qualitative phase, six social enterprises started by Ashoka Fellows were chosen for the study. The data was collected from the entrepreneurs, decision makers, employees and beneficiaries of those organizations through interviews and focus group discussions.

In the second phase, the quantitative data was collected from the social entrepreneurs and the decision makers of the social enterprises started by Ashoka fellows listed under livelihood section.

1.6 Chapter Scheme

6.1.1 Second Chapter: This chapter presents state of the knowledge related to the area of research through literature review. It details the research gaps and justifies the reason for carrying out this research. It carries literature related to entrepreneurship, social entrepreneurship, challenges of social enterprises, studies of Indian context and livelihood details.
6.1.2 Third Chapter: This chapter illustrates the methodology of the study. The section contains source of data and the method of carrying out the research, which in this study is ‘mixed method’. The salient features along with justification of use of the ‘mixed method’ have also been discussed in great detail. It also illustrates the literature and describes the process of carrying out both qualitative and quantitative research.

6.1.3 Fourth Chapter: The analysis and discussion of the results of the qualitative phase have been presented in this chapter. Primarily, it expresses the steps of analysis along with the discussion on results. Then the findings have been modified for the second phase of the quantitative phase.

6.1.4 Fifth Chapter: This chapter discusses the steps of data analysis of the quantitative phase along with the results of the analysis.

6.1.5 Sixth Chapter: The chapter draws out the findings from both the phases to bring out meaningful inferences.

6.1.6 Seventh Chapter: This chapter presents the limitation of this study and the scope of future research.