Books are the carriers of civilization. Without books, history is silent, literature dumb, science crippled, thought and speculation at a standstill. ~ Barbara W Tuchman
Chapter – 2

Literature Review

The review of literature gives a view of the existing pool of knowledge. It introduces the work done by others in the area of interest. It gives comprehensive review of the literature which is present for any research question. In a research, it performs several functions as given below

i) It identifies the existing extent of work done on any topic. The awareness of the existing knowledge may help in avoidance of reinventing the wheel or duplication of effort for finding something which has already been discovered. This also helps in the increasing the knowledge beyond the current stage.

ii) It discovers the knowledge gap in the existing body of work. The topic, related to the area of interest, which has less knowledge created around them or has the potential of further research, are recognized.

iii) The review of literature can also provide the theoretical underpinnings required for carrying out the new research. This is different than methodology and provides precision and strength to the research arguments.

For this study, the literature reviewed are related to the topics like entrepreneurship, social entrepreneurship, challenges related to social entrepreneurship, studies in Indian context and livelihood. The total number of papers referred in this study is 188 and their division, on the basis of the chapters of the study, has been depicted below:
The articles referred are not only topic-wise diverse but they are also chronologically wide spread. The oldest article was published in 1966 and the latest articles belong to 2013. There is only one article in 1966 and there are 5 articles from 2013. The cart below shows the frequency in different decades.
The figure also suggests a surge in research in this area. The last two decades have been very significant. This chronologically diverse selection of articles provides robustness to the study. The articles referred in the literature review chapter can be further divided into following categories based on their themes.

Figure 2.3

Distribution of literature review articles

![Pie chart showing distribution of literature review articles](image)

The thematic spread depicts the focus of the selected articles. Most of the articles refer to Social Entrepreneurship and its challenges. The articles also unravel the work done on social enterprises; challenges faced by social enterprises and the livelihood sector. This description starts with the articles related to the evolution of entrepreneurship.

2.1 Evolution of Entrepreneurship

Entrepreneurs have been part of mankind for ages. They have been there to provide innovative solutions to the problems faced by people. But the recognition came very late to them. The history of the entrepreneurship in literature can be traced back to the 19\textsuperscript{th} Century when this term got early recognition in the writings of the
French economists ‘Richard Cantillon’ and ‘Jean Baptiste Say’. Cantillon is acclaimed for differentiating entrepreneurs from landowners and hirelings (Hayek, 1985). Jean Say is most commonly credited for widening the scope of the term entrepreneur. He identified this as ‘the venturesome individuals who stimulated economic progress by finding new and better ways of doing things’ (Hebert & Link, 2009). He also mentioned that the entrepreneurs “shift economic resources out of an area of lower and into an area of higher productivity and greater yield” (Dees, 1998a). This emphasized the ‘change in the status quo’ attitude attributed to the entrepreneurs.

In 20\textsuperscript{th} century, Joseph Schumpeter made major contribution by describing entrepreneurs as drivers of ‘creative destruction process of capitalism’ (McCraw, 2007). He is also credited for introducing element of ‘innovation’ in the definition of Entrepreneurship (Jones & Wadhwani, 2007). He emphasized on the empirical study of the process of industrial and economic change to understand the phenomenon. Entrepreneurship has been instrumental in creating these changes and an empirical study of the same can provide the required legitimacy to this emerging field. Emphasizing the importance of innovation, Sahay & Sharma (2008) stated that ‘entrepreneurship without innovation has no root and innovation without entrepreneurship has no fruit’.

Schumpeterian concepts continue to influence many researchers. Economic historian Arthur Cole of the Harvard University was amongst the believers of Schumpeter’s philosophy of viewing entrepreneurs as “agents of disruptive economic change” (Jones & Wadhwani, 2007). He also encouraged the diversity in the approaches of research in entrepreneurship. The approaches were from socio-cultural studies, neo-classical economics and studies of evolution of industries and organizations. He authored many books and articles to present the analysis of Schumpeter’s thoughts and his own contribution in its expansion.
Peter Drucker (1985) started his exploration by accepting the definition given by ‘Say’. He acknowledged that an entrepreneur should be innovative and change orientated but he put opportunity as the central theme of the definition rather than change. He mentions that “not every new small business is entrepreneurial or represents entrepreneurship”. For him ‘exploitation of the opportunities emerging from the change’ is the most important characteristic of the entrepreneur.

A Harvard professor, Howard Stevenson, added “the element of resourcefulness” (Davis, 2002) to the definition of entrepreneur from the ‘opportunity-orientation’ angle proposed by Drucker. He conducted many research studies to bring clarity to the distinction between the ‘entrepreneurial way of management’ and ‘administrative way of management’. He emphasized from his research that “the pursuit of opportunity without regard to resources currently controlled” (Dees, 1998a) is the core of entrepreneurship.

The idea of ‘perceiving and exploiting opportunity wherever it may be found’ (Finkle, 2006) along with the broader definition of entrepreneurship as ‘a state of mind’, ‘an attitude’, ‘artful, insightful and innovative mentality’ (Finkle, 2006) have been referred in recent research studies.

The history and contemporary studies in the field of Entrepreneurship underlines the important role it plays in improving the conditions of a country. As per Kirby (2004), entrepreneurship can contribute to the economic well-being of a country by enhancing the economic growth and creating new job opportunities.

In India, earliest documented proof of promoting entrepreneurship goes back to Kanishka Empire in the 1st century when he started nurturing entrepreneurs and traders. The trade was flourishing and India had trade relations with Europe, China and Middle East. Indians were expert in metallurgy, marble work, stone-carving, jewellery, brass, copper and bell-metal wares, woodcarving, etc.
Then came the colonization of India, during that period the entrepreneurship was almost non-existent. After the independence in 1947, the scenario changed but the pace was not very fast. The economy started growing fast after the economic reforms in 1991. But very soon the Government realized that to carry forward the growth of economy, entrepreneurs are essential. The increasing population also emphasized the need for this.

The ‘National Knowledge Commission of India’ in its 2008 report presents the increasing significance and visible impact of entrepreneurship in wealth creation and employment generation in India’s growth and development. But identifying the significance and the impact was not enough for changing the scenario as improvement in the entrepreneurial eco-system was required. The government had to recognize the ground realities. According to the 2012 report of Planning Commission, India needs to create 1-1.5 crore (10-15 million) jobs per year for the next decade to provide gainful employment to its young population. This brings the focus to the first generation entrepreneurs, as Government has also accepted the fact that Large Indian businesses – both in the public and private sector – have not generated significant employment in the past few decades and are unlikely to do so in the coming decade or two (Planning Commission, 2012). This explains Government’s steps to promote entrepreneurship, providing Angel Investment and early Stage Venture Capital for facilitating the new venture creation.

The usability, relevance and need of new knowledge have also increased the interest in research in this area.

All these facts not only establish the importance of entrepreneurship but also assert the relevance of research in this area. An increasing number of dimensions are being identified and developed in this area by the research studies done till now. This also justifies the growing number of sub-domains of research in this area, which are establishing themselves as legitimate subject of research.
One of the most talked-about topics amongst the emerging ones is social entrepreneurship. Emerging from the failure of market and state in filling the lacunas of social disparity, environmental degradation and problems of quality of life, social entrepreneurship also acknowledges the existence of failures with respect to the non-profit or civil society sector (Salamon et al. 2000).

This area, within general entrepreneurship theory, has attracted attention with several textbooks, and edited review books have also been published (Mair, Robinson & Hockerts 2006; Austin et al. 2007; Nicholls 2008). This being a relatively new area encourages the interests of many researchers for new research topics. This is discussed in greater detail in the coming pages.

2.2 Emergence of Social Entrepreneurship

In the course of time, many forms of entrepreneurship have evolved and have progressively emerged as independent areas of research. The phenomenon of social entrepreneurship or entrepreneurial activity with a social purpose is fast establishing itself as one of the legitimate forms of entrepreneurship. The purpose of a social enterprise is to bridge the gap left unfilled by public and market driven institutions. The social entrepreneurs find opportunities and apply their innovation where there is no market for profit driven organizations or the opportunities are too trivial for government to pay attention.

2.2.1 Academic Perspective

Looking at the history reveals no established origin of the term social entrepreneurship. But some researchers believe that Banks (1972) was the first to coin the term ‘social entrepreneur’ in the context of the sociology of social
movements (Trivedi, 2010) whereas others believe William Drayton has coined the term ‘social entrepreneur’ (Davis, 2002).

This phenomenon also got recognizable mention in the writings of Dennis R. Young (1986) when he distinguished the nonprofit entrepreneur from the ordinary manager as one who “is engaged in breaking new ground rather than engaging simply in customary managerial practices or ordinary decision-making”. Not only he gives a typology of nonprofit entrepreneur but he also lays a foundation for the research in future. He probed the ‘particular behavioural pattern’ of the nonprofit entrepreneur.

In the next decade, Waddock, Sandra and Post (1991) tried to establish the definition. They mentioned that a social entrepreneur is able to bound complexity of social problems into a “vision” that has the potential to reshape public attitudes. They also noted that social entrepreneur is an individual with significant personal credibility which helps in creating a necessary supportive network. He/she should also generate public commitment for a social value as a collective purpose. This definition first time involved reshaping public opinion to solve social problems.

Gregory Dees (1998a) gave elaborate definition of social entrepreneur in his widely appreciated article ‘The Meaning of Social Entrepreneurship’. According to him

*Social entrepreneurs play the role of change agents in the social sector, by:

• Adopting a mission to create and sustain social value (not just private value),
• Recognizing and relentlessly pursuing new opportunities to serve that mission,
• Engaging in a process of continuous innovation, adaptation, and learning,
• Acting boldly without being limited by resources currently in hand, and
• Exhibiting heightened accountability to the constituencies served and for the outcomes created.
Dees (1998a, 2001) also acknowledged it as combination of the passion for a social mission with an image of business-like discipline, innovation and determination commonly associated with entrepreneurs. The introduction of word business was noteworthy.

In between, an Indian scholar Prabhu (1999) defined social entrepreneurs as persons who create and manage innovative entrepreneurial organizations or ventures whose primary mission is the social change and development of their client group. This considers the creation and development of the beneficiary group. Another angle was explored by John Thompson, Geoff Alvy, and Ann Lees, (2000) when they talked about the speed of the change. They opposed the slow and incremental progress and mentioned that “social entrepreneur creates sea-change movements, either quickly over time, and/or have a major impact”. However, they did recognize the valuable impact created by micro-entrepreneurs.

The very next year Thompson (2002) extended this definition by adding that “social entrepreneurs are the people with same qualities and behaviours as the business entrepreneurs but they operate in the community and are more concerned with caring and helping than ‘making money’. He also established empirically that there is a significant difference in the performance of ‘creative & entrepreneurial’ people and their non-entrepreneurial counterparts. In the same year, Peter Frumpkin published his book On Being Nonprofit in which he defined social enterprise as “a vehicle for entrepreneurship which combines commercial and charitable goals” (Frumpkin, P. 2002).

The definition given by Sarah Alvord, David Brown, and Christine Letts (2004), portrays social entrepreneurship as a means to alleviate social problems and catalyze social transformation. According to them entrepreneurs should have two types of quality, first is “capacity to bridge diverse stakeholder communities” and second is “long-term adaptive skills in response to changing circumstances”.

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Dart (2004) describes social enterprise as “blurring the boundaries between non-profit and for profit”. Efforts were also made to differentiate it from traditional entrepreneurship in the primary purpose of starting a venture. The traditional entrepreneurship is for profit. But social entrepreneurship is for social change and generation / non-generation of profit is the by-product of this endeavor for social change. It is essential to note that social entrepreneurship is not charity; it is not necessarily even not-for-profit (Roberts, Dave & Woods, Christine 2005).

David Bornstein (2006) in his book ‘How to change the world’ defines them as “What business entrepreneurs are to the economy; social entrepreneurs are to social change. They are the driven, creative individuals who question the status quo, exploit new opportunities, refuse to give up, and remake the world for the better.”

According to Austin et al. (2006) social entrepreneurship has been on the rise in recent decade which is very evident from the number of research studies done in this area in the last decade. Social entrepreneurship also figures in Google’s list of ten ideas which can change the world.

As per the definition given by Finkle and Mallin (2007), social entrepreneur is someone who recognizes a social problem and uses entrepreneurial principles to organize, create, and manage a venture to make social change.

Interestingly, researchers are yet to find a practical way to develop the business approach to social enterprise to use it as a mechanism for fundamental economic change in the marketplace and society (Massetti, 2008). Most of the attempts are at the level of defining and differentiating it from business entrepreneurship. And most of these differentiating efforts have done more to confuse the issues rather than clarify them (Mort et al., 2003; Peredo & Chrisman, 2006). Yet, it is important to analyze established definitions in order to reach to the conceptual underpinning of the phenomenon.
Other related words like social entrepreneurship, social enterprise, and social purpose business etc., also report ambiguity in the definitions.

Dees (1998b) suggests that because of the complex structures of social-sector organizations, generalizations of what defines a social enterprise is essentially problematic and ultimately affects our understanding of the sector. Though the definitions vary but few underlying common thoughts can easily be recognized. The words like ‘social change or transformation’, ‘entrepreneurial expertise’ and ‘innovation’ are used in most of the definitions. These words establish the core of ‘Social Entrepreneurship’.

The literature highlights a diversity of views on what comprises social entrepreneurship in the pursuit of a theoretical and practical definition of the same. Even though the research related to this area has been primarily focused on describing and explaining the phenomenon (Short, 2009), the clarity about the phenomenon and researches related to different aspects of the phenomenon has been missing.

The ray of hope is the emergence of a new “enterprise culture” throughout the world (Leadbeater, 1997; Nicholls, 2006; Bull, 2008) and the maturity in entrepreneurship research. It generates greater confidence about the development of social enterprise research on the same lines.

Several researchers have tried to identify new topics of research in this area (Dacin, Dacin, & Matear, 2010; Mair & Martí, 2006). Some of these topics have theoretical underpinning and some have the practical orientation. As this new emerging area is practice driven and high on the experiential learning, the role of practitioners also becomes significant in providing relevance and credibility to this area.
2.2.2 Practitioners’ perspective

The practitioners have given their bit in taking forward the agenda of social entrepreneurship; be it the social entrepreneur themselves or the team working tirelessly or the supporting organizations, every one has contributed to the enrichment of the subject.

The supporting organizations have not only invested money but they have also given mentorship and network to the struggling social enterprises. They have also funded and facilitated the research related to this. Given below are some of the selected supporting organizations.

Table no. - 2.1 Source: Leviner, N. at el. (2007)

List of International Social Enterprise Supporting Agencies

<table>
<thead>
<tr>
<th>Select Venture Organizations Supporting Social Entrepreneurs</th>
<th>Foundation Year</th>
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<tbody>
<tr>
<td>Ashoka</td>
<td>1981</td>
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<td>Echoing Green</td>
<td>1987</td>
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<td>Avina Foundation</td>
<td>1994</td>
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<tr>
<td>Roberts Enterprise Development Fund</td>
<td>1997</td>
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<tr>
<td>Social Venture Partners (Seattle)</td>
<td>1997</td>
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<tr>
<td>New Profit, Inc.</td>
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<td>New Schools Venture Fund</td>
<td>1998</td>
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<td>Omidyar Network</td>
<td>1998</td>
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<tr>
<td>Schwab Foundation for Social Entrepreneurship</td>
<td>1998</td>
</tr>
<tr>
<td>Skoll Foundation</td>
<td>1999</td>
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<tr>
<td>Venture Philanthropy Partners</td>
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These practicing organizations have also contributed to the knowledge pool by researching on the issues relevant and important for the social enterprises. The study intends to discuss some of the prominent contributors and their contributions.

**Ashoka**

In 1981 Bill Drayton started ‘Ashoka’ for recognizing social entrepreneurs. It identifies social entrepreneurs and provides them support & mentorship. Ashoka began its operations by identifying its first fellow from India in 1981 (Bornstein, 2010). While documenting their progress, Ashoka has also documented the case studies related to these social entrepreneurs or Ashoka Fellows (Bornstein, 2004). Sushmita Ghosh of Ashoka, created the first journal for social entrepreneurs - ‘Changemakers’ in 1993 (Davis, 2002). Apart from these case studies and journal, there are several articles written by Ashoka’s management and staff. The article written by Drayton (2000) tries to identify the impact created by ashoka fellows on the other social entrepreneurs and that has contributed in multiplying the overall impact. Susan Davis (2002) in her article “Social Entrepreneurship: Towards an Entrepreneurial Culture for Social and Economic Development” brings out the role youngsters, if given opportunity, can play in solving world’s problem. She also highlights the important achievements of the young Ashoka fellows and the role of elders in supporting that.

Drayton (2003) describes *the theory of change* of Ashoka along with the opportunity and responsibility which Ashoka Fellows have for producing positive, systemic change. This article also answers why they have this opportunity and how they should leverage it.

In another article Bill Drayton (2006) presents the vision for Ashoka along with the transformation of development sector over the years. This article emphasizes the fact that the number of ‘Change Makers’ is increasing over the years as ‘this process is very contagious’ and it is having a multiplier effect.
According to Wood and Martin (2006), for overcoming the constraints of funds, market-based solutions should be investigated and employed. Wood (2008) also prepared a template for the philanthropic financing. His article illustrates the challenges of the current social financing market and three-tier strategy which Ashoka follows to overcome them.

Susan Davis (2007) of Ashoka prepared a Faculty Directory, which included faculty who are researching in social entrepreneurship from all over the world. This also helps people in identifying the knowledge avenues near to them, whom they can come for advice. In the same year, Leviner et al. (2007) described the process of development of Ashoka’s Measuring Effectiveness program, its methodology, and its results.

Skoll Foundation

Jeff Skoll created the ‘Skoll Foundation’ in 1999 to pursue his vision of a sustainable world of peace and prosperity. In his introduction chapter of MIT Press’s journal ‘Innovations’ (2009), he has talked about the impact created by social entrepreneurs. He also highlighted the challenges which need increased attention, inspite of the efforts made by social entrepreneurs. Along with Jeff Skoll, Sally Osberg, the President and CEO of Skoll Foundation, has written and spoken about the social entrepreneurship on different forums like Skoll World Forum organized every year. Martin and Osberg (2007) have tried to establish the definition of social entrepreneurship. Starting with the basics of entrepreneurship they moved on to the cases of social entrepreneurs to cull out the feature of their proposed definition. Osberg (2009) writes the importance of support for social entrepreneurs and their contribution in conserving the environment.

Below & Tripp (2010), another duo from Skoll, illustrated the issue of leadership transition. Their article titled “Freeing the Social Entrepreneur” provides a roadmap
for social entrepreneurs when they are building their leadership teams at that critical juncture between running a startup and positioning their organizations for long-term growth and scalable impact.

Schwab Foundation

Similar to Ashoka and Skoll, the Schwab Foundation for Social Entrepreneurship was founded in 1998 with a purpose to advance social entrepreneurship and foster social entrepreneurs as an important catalyst for societal innovation and progress. Their contribution to the knowledge pool comes from the research done by them, which covers various topics related to enterprises’ operations.

There are questions on which many social entrepreneurs have struggled, such as, how much and how to raise funds from social investors, which social investors should be approached or should one sign a non-disclosure agreement etc. To handle these questions, the Schwab Foundation constituted a task force of Schwab Social Entrepreneurs. The experience and questions of social entrepreneurs were taken up and developed in a handbook, called the Social Investment Manual (Achleitner et al. 2011). This manual gives an overview of financial landscape of the social enterprise space. It also describes the currently available financing instruments along with the process of identifying the right investor. It also listed few of the proposed social investment exchanges all over the world, along with the one currently working in Singapore. It also handles less talked about issues related to exit of investors from the enterprise.

Next year Schwab launched Keating & Schöning (2012) edited report on the Impact Investing and the way social entrepreneurs are redefining the meaning of return. This report is a combined effort of Schwab and Credit Suisse, in which several experts have expressed their research. The report explores the investment scenario in the social enterprise sector. They also identified the patterns of
investment opportunities emerging in the area along with the key issues related to the impact investment.

In line with this, Schöning et al (2012) also published a report on the ‘Governance of the social enterprise’, in order to guide the entrepreneurs as per the demand of investors of a change in governance structure. It talks about the board creation, its role, rights and responsibilities along with the optimization of its performance.

In another report, Schwab Foundation (2013) proposes a policy guide for the policy makers and governments. This guide focuses on providing enablers for the challenges faced by social entrepreneurs in scaling-up. It provides a framework for government action along with the case studies of social enterprises which have innovative models.

The above mentioned few articles give a glimpse of the attempts of applied knowledge creation done by the practitioners. Most of these practice driven research studies are useful on the practical problem solving for social enterprises but what they lack is the rigor and theoretical underpinning of the academic world. This gap is important to fill for two reasons i.e. firstly this will help in reducing the gap between the knowledge pool contribution and applicability of the research and secondly this will definitely contribute in moving forward the agenda of the social entrepreneurship.

This called for a closer look at the topics chosen by these practitioners. It can easily be identified that many of these reports are based on the challenges faced by these social enterprises. On the other hand, the academic literature is focused on defining and establishing the legitimacy of the phenomenon. The inference drawn emphasizes the fact that the research on the challenges faced by these social enterprises will enable the stakeholders in addressing them better.
The following section deals with the literature related to challenges faced by social enterprises. This has led this study to examine social entrepreneurship in greater depth and identify few of the challenges.

### 2.3 Research on challenges of Social Entrepreneurship

The societies around the world are looking for innovative solutions for the pressing social problems and they see social enterprises as an answer to most of these problems. The social enterprises indeed are contributing to solve these problems, but as mentioned earlier the supportive eco-system is yet to be developed. Thus, this creates problems for the social enterprises themselves. The problems faced by social enterprises also need attention. Rangan et. al. (1999) mentions that many social change initiatives fail due to various reasons. Most of these reasons are the result of the problems faced by social enterprises. Briggs (2005), states that these pressing problems throw up major challenges. Thus, there is a need to identify these challenges in order to create a more conducive and supportive ecosystem. This study explores and analyzes the challenges faced by social enterprises.

Before setting out to find the challenges faced by social enterprises or exploring the literature related to it, it is important to define the scope of the ‘challenges’.

The term ‘challenge’ does not have an agreed definition in social entrepreneurship literature. However, there is a general agreement with the dictionary meaning for the same. The Collins English dictionary defines it as a demanding or stimulating situation or a call to take part in a contest or fight. The Oxford Dictionary defines it as a task or situation that tests someone’s abilities. MacMillan Dictionary states challenge to be “something that needs a lot of skill, energy and determination to deal with or achieve especially something you have not done before”. According to the Merriam-Webster dictionary, it is a stimulating task or a problem or a summon to a duel to answer an affront.
All these definitions indicate the action-orientation of the term ‘Challenge’. The definition of ‘challenges’ accepted for this study is “those factors which create obstacle in the operation and/or expansion of a social enterprise and the enterprise needs to take action in order to circumvent or mitigate them. They are broadly within the control of the entrepreneur and decision makers”.

The study explores the challenges in literature and finds out some significant contributions.

The current corporate legal forms do not recognize dual-purpose business models (Schwab, 2013). The taxes levied on companies does not take into account the social impact created by the enterprise. It just considers the financial stability of the enterprise. Most of the rules are to protect the investors. There is no consideration for someone who is investing more for creating a social change. This points out to a major challenge which is about the business model ambiguity of the social enterprises. This creates pressure for the mission drift.

Growth or scaling up is a major issue with most of the entrepreneurs. The desire to go to the next level of progress keeps them motivated. They want their solutions to reach to a wider audience. But the ecosystem that can support and stimulate the growth and development of social enterprises and fund their replication and scale needs to be created (Schwab, 2013). It cannot happen without catalytic policy support. Governments all over the world are trying out innovative strategies to leverage these ‘mission-driven’ enterprises working for betterment of the world.

The literature can be further minutely classified through stakeholder theory. Before that classification, the stakeholder theory needs a brief introduction. The “father of the stakeholder concept” Freeman (2004) defines stakeholders as “those groups who are vital to the survival and success of the corporation”. For social enterprises, there can be many stakeholders like Beneficiaries, Investors/Funders, Employees, Channel Partners, Entrepreneur and Community. The challenges faced by social
enterprises could be identified at any of these stakeholders. The study done by Intellecap explores investors’ perspective (Allen et. al, 2012) and report by GIZ focuses on key incubators in India (GIZ, 2012).

For this study, three major stakeholders i.e. entrepreneur, employees and beneficiary groups, have been identified. These stakeholders are the ones most involved in the operations of the enterprise. The study explores the literature related to these stakeholders.

**Entrepreneurs**

Ralph Waldo Emerson rightly said, "Every institution is the lengthened shadow of one man" (Church, 2003). This emphasizes an entrepreneur’s role in creating and crafting the culture and future of an organization. Most of the start-ups are driven by the values and vision of their founders and in the initial years the concerns of entrepreneur and the social enterprise are not very different. The issues at entrepreneur’s front are more strategic, conceptual and survival related. There are research studies directly or tangentially linked to these issues (Massetti, 2008; Finkle and Mallin, 2007; Alvord, Brown, and Letts, 2004). Few of these issues are illustrated below.

The challenge of balancing the trade-off tussle of mission and competition is emphatically brought out by Dees (1998b). He says that in the search of ‘holy grail of financial sustainability’, social enterprises have to struggle constantly to keep a balance between their role as an efficient and competitive economic player and their role as community organizations. The competition for resources pushes them to become more “entrepreneurial”. Thus, blending values (Emerson, 2003) with operational business principles becomes extremely difficult (Leadbeater, 1997; Pearce, 2003; Nicholls, 2006; Bull 2008). The trade-off fulfilling the social mission and remaining economically viable takes a toll on the performance of the
organization. The efforts to strike a balance between these pose many questions and problems which requires an exemplary leadership and strong organizational culture. This also needs clarity of thoughts and vision imbibed in all the decision makers. But in some cases having internal clarity and belief is not enough; the pressure from outside world may also induce mission drift. The traditional markets’ openness to these types of enterprises is less.

The situation is improving and the benefits of combining social purpose with enterprise have been found to induce greater market responsiveness, efficiency, innovation and better leveraging of resources (Dees and Anderson 2003). But this does not serve the purpose fully. Markets do not work as well for social entrepreneurs as they do for business entrepreneurs. In particular, markets do not do a good job of valuing social improvements, public goods and harms, and benefits for people who cannot afford to pay (Dees, 1998b). As mentioned earlier, most of the related institutions have traditionally considered only financial gains for assessing the performance of the enterprise. Changing this mindset, to include the social performance as well, is not easy and painstakingly slow. Some of the investors have recently started realizing the importance of ‘triple bottom line’ (Elkington, 2004). They have identified certain social goals which are in alignment with their organization’s overall mission. They choose social enterprises, to support, in accordance with that. These investors have difference sets of expectations.

According to Sud et al. (2009) large social funding organizations are demanding greater accountability. They want to achieve a higher impact in a short span of time in their stated area of intervention. This has impacted the efficiency and transparency in the working of social enterprise in a positive way. But on the flip
side, social entrepreneurs like Laura Stachel (2010), from ‘We CARE Solar’\(^2\), place on record state that most of the funders want to support specific projects rather than organizational infrastructure. This makes getting funds, to develop organizational capacity, extremely difficult. And without adequate resources it becomes difficult for social enterprises to sustain and fulfill their mission. These mitigating factors may encourage them to maintain effective usage of funds, but these can also limit the scale upon which the social enterprise will operate (Sud et al, 2009).

The technological advancements are contributing to reduce few of these challenges. Internet can be identified as one such advancement. According to a report by Ernst & Young (2013), the Indian organizations use social media much more than the global average and their counterparts in emerging economies. These include Indian social enterprises as well. This new development in internet usage has increased the availability of information about the social enterprises’ activities. Though this should have been contributing to better accountability of organizations’ work, but it is also triggering a well-documented incentive system which entices social-sector leaders to distort their reporting activities and report more work (Krishnan et al, 2002) in order to gain stakeholders attention. This trend may affect the organizations which are too occupied in grass-root work that they either do not pay attention to documentation or are not in a position to bear the extra cost involved.

Another challenge faced by social entrepreneurs is that the social enterprises usually start with local efforts but it often targets problems which have global relevance (Santos, 2009). Thus, for tackling the global concerns it is important for them to scale up the local efforts. The factors affecting the challenge of scaling up and their implications has been expressed and explained by Bloom and Chatterji (2009) in their article ‘Scaling social entrepreneurial impact’. In this article, they have given a model called ‘SCALERS’. As the name suggests, this model presents

\(^2\) ‘WE CARE Solar’ is Co-founded by Dr. Laura Stachel & her husband, Hal Aronson to improve maternal health outcomes without reliable electricity in Northern Nigeria regions. They lowered the maternal mortality in state hospitals with the help of their portable Solar Suitcases. For more details please visit http://wecaresolar.org
the factors affecting the scaling up of a social enterprise and the contingency situations which can affect those factors. These factors are Staffing, Communicating, Alliance building, Lobbying, Earnings generation, Replicating and Stimulating market. Though these factors have been related to scaling up in the study but these could also be used for identifying the enterprise level challenges.

The social enterprises have this mandate of bringing equity in the society. Ironically, discrimination happens with social enterprises as well. Those who work as a team and do not have a single hero (entrepreneur) are often overlooked when recognitions are given. According to a study done by Light (2006), many social enterprises do not get recognition even though they are engaged in some kind of pattern-breaking change that promises solutions to intractable problems such as poverty, hunger, and disease. The reason for that is even though they possess the visionary mission, which researchers and practitioners rightly admire, they often lack a visionary leader. In the quest of individual entrepreneurs, these organizations are left behind. Even Ashoka Foundation only recognizes individuals and not the organization or the teams.

**Beneficiary Group**

The challenges at the beneficiary group level got little attention in the research related to the social entrepreneurship. Most of the papers talk about the social problems faced by the beneficiaries, but the problems which social enterprises face in changing their situation are generally ignored. The challenges of beneficiaries in adopting that change have also got little attention. Some of the significant research contributions in this regard focus on glaring issues at the beneficiaries front like market readiness, issues related to free riders (Altstadt, 2007), acceptance of change, cost of change (Rangan, et al, 1999) amongst others.
The irony of the situation is that the social problems which social entrepreneurs are attacking are caused by shortcomings in existing markets and social welfare systems (Mair et al., 2006; Nicholls, 2006; Sud et al, 2009). The communities that comprise these markets and social welfare systems are part of the structure that created those social problems. Social changes most often require change in the behavior of the target communities which is generally resisted and opposed by the community themselves. The long term benefits, more so if conflicting the short term interests, are ignored (Rangan, K et al 1999).

Usually the perceived cost of adopting a social change exceeds the tangible benefits. This discourages the community to accept the change and also causes problems for the early adopters (Rangan, K et al 1999). David Altstadt (2007), in his thesis submitted to Georgetown University, has discussed challenges faced by organizations when they try to put welfare recipients to work. He states that many free riders were not interested to work. Those who work were not producing acceptable quality, which reduces the marketability of the product. The issue related to quality is more of a concern for the social enterprises working in livelihood sector because in this sector the beneficiaries are usually part of the value chain.

**Employees**

The next stakeholder considered are the employees of a social enterprise, who are the point of regular interaction with the beneficiary group. They have also not got the adequate consideration in literature.

One more major hurdle, very common to start-ups and social enterprises, is to get good people to work for them. Most often they get limited pool of qualified candidates (allen et al, 2012) and other candidates simply lack the pre-requisite
knowledge and as Hines (2005) points out, the lack of knowledge can be a barrier to the rate of progress of this sector.

According to a study by The Bridgespan Group, by 2016 social enterprises will need almost 80,000 new senior managers per year (Tierney, 2006). This is a huge challenge considering the attrition rates in this sector. As per Light (2002) “Gone are the days when the nonprofit sector could count on a steady stream of new recruits willing to accept the stress, burnout, and the persistent lack of resources that come with a nonprofit job”.

Academically, research in social enterprise and entrepreneurship is gaining prominence as a field of study, mainly from business and management schools (Ritchie and Lam, 2006; Westall, 2007; Bull 2008). However, being an emerging area the research here needs to go a long way.

As per the literature review, some studies do have examined the challenges faced by Social Enterprises but the numbers are few and the approach is also not holistic. Most of the challenges mentioned are indirect and are identified in the process of reaching to the other research goal. They are not done with the objective of discovering challenges faced by social enterprises.

In Indian context, studies related to challenges faced by Social Enterprises are even fewer. But recently this has got attention from the practitioners and some reports have been published. The next section explores the literature on the challenges for social enterprises in Indian context.

2.4 The Indian Context

In India, the context of social entrepreneurship cannot be set without exploring the evolution of entrepreneurship. The history of entrepreneurship here goes back to first century B.C. (Venkatasubramaniam, 2003). The proper documentation of the
events related to entrepreneurship has started after India’s independence in 1947. As per the literature, except few business families, the developmental role was mainly taken up by Government (Ray, 1979). It took the initiative of creating state owned enterprises handled by centralized planning for developing the sector. These initiatives were not as successful as expected. Government passed the Industries Act 1951, aimed at channeling private sector investment in accordance with the Five-Year Plans. This was done with the intention to bring about balanced regional development, protection of small scale industries against the competition of large scale industries and prevent concentration of economic power to a few business families. However, this hampered the growth of the private enterprises.

The government realized this and in 1970s it launched campaigns to promote entrepreneurship. But the reaction of common man was not very encouraging. Till 1980’s, a social economic control system was gripping the market. This era was called ‘license raj’ or ‘permit raj’ in literature. As per DeLong (2001) India was stagnated by this complex control system until bold neoliberal economic reforms were triggered in 1991 due to economic crisis. This marked a new beginning for small & medium entrepreneurs. As per Akhouri (2008), small & medium enterprises (SMEs) made huge contribution to the production and exports of the country.

At the turn of the century, the word entrepreneurship got the center stage in India. Government also accepts that accelerating entrepreneurship and business creation is crucial for large-scale employment generation (Planning Commission, 2012). They also accept that India’s myriad social problems including high-quality education, affordable health care, clean energy and waste management, and financial inclusion could be solved by innovation driven solution developed by entrepreneurs. This refers to the social entrepreneurs. The attention to social entrepreneurship is not only from the Government but the researchers have also
started giving attention to this sector. As per Google’s search archives, the search for the word ‘social entrepreneurship’ gained momentum after 2005.

Chakraborty (1987) mentioned that opposed to fulfilling individual needs, the orientation of ‘giving’ and the need to fulfill one’s duty towards the society is deep-rooted in Indian social values and identity. Shukla (2011) supporting this thought states that social ventures based on voluntary efforts are more likely to receive support in Indian context due to its long history in welfare and giving. Though the social responsiveness has been an integral part of Indian culture, this concept took very long in establishing itself. Addressing social problems at a business platform was very new to India. Especially the for-profit social enterprises had to face a lot of distrust and opposition. Shukla (2011) also acknowledges that the path for ‘For-profit’ social venture was even tougher as they had to face public suspicion and market competition.

In independent India, the work of social entrepreneurs has first got formal recognition in 1981 when ‘Ashoka’ selected its first fellow in India.3 But the concept received its much deserved recognition in last decade. These recent research studies include mostly case centric studies, research papers and articles specific to the Indian context (Shukla, 2011; Pruthi, 2012; Zahra, 2009).

As the research related to the challenges of social enterprises has more practice orientation, thus it got more attention from the practitioners. A report prepared by ‘GIZ’ (2012) in collaboration with ‘BMZ Sector Project Financial Systems Development’ on ‘Enablers for Change – A Market Landscape of the Indian Social Enterprise Ecosystem’, states few challenges faced by Indian Social Enterprises from the perspective of investors and incubators. Another study of challenges has

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3 For more information visit https://www.ashoka.org/facts
been published by Intellecap\(^4\) (2012) on the ‘Human Resources Challenges’. This reports the challenges faced by social enterprises in human resources considering only ‘For-Profit’ entities for data collection. Intellecap also produced another report on the landscape of social entrepreneurship in India (Allen et al., 2012). These reports have been analyzed in detail below.

2.4.1 A Study of India’s Social Enterprise Landscape - (Allen, et al 2012)

This report prepared by Intellecap team tries to bring out the major issues faced by Indian social enterprises. It starts with the current status of the sector and moves on to the barriers in the sustainability and growth of the sector. In the process, it identifies the characteristics of the social enterprises as mentioned below:

- India’s social enterprises are a young but ambitious industry.
- The industry took off in 2005-06 and has grown dramatically since then.
- They base their headquarters in India’s metropolises but operate across the country.
- Most social enterprises target the BoP as consumers rather than as producers.
- India’s social enterprises are capital hungry businesses.
- Grants from foundations, incubators, fellowships and prize money from competitions are a crucial source of capital for early-stage enterprises.
- Finding and retaining good talent, raising capital, and building the value chain create the greatest barriers to sustainability and scale for social enterprises.
- The greatest financing challenge is not a limited supply of capital but social enterprises’ limited access to it.
- Majority of the social enterprises choose to register as private limited companies.
- The cooperative models are most common in the agriculture and livelihood development sectors. The hybrid structure is gaining popularity fast.

\(^4\) Intellecap is a consulting firm in providing innovative business solutions that help build and scale profitable and sustainable enterprises dedicated to social and environmental change. http://intellecap.com/
• The operational efficiency of these enterprises is almost comparable to their commercial counterparts.

The most common of these constraints, which force enterprises to compromise on their hiring, are a limited pool of qualified candidates, the limited resources for staff salaries, and the inability to offer the stability and name recognition of larger companies.

Social enterprises operating in BoP markets do not have the robust value chains that typically characterize more established markets. Inadequate physical infrastructure plagues BoP markets. Building trust and demonstrating the value proposition to skeptical consumers is a long and difficult process. The right partnerships for addressing gaps in the value chain are difficult to find and to scale.

Methodology

The objective of the study is to enable a diverse group of supporting stakeholders to provide better and more targeted assistance across the full range of enterprise needs in order to foster social enterprises’ development towards sustainability and scale.

The report is based on online survey of founders and core members of social enterprises’ leadership team. The report targeted for-profit social enterprises across six sectors that directly impact the quality of life for people at the base of the economic pyramid (BoP): agriculture, education, energy, healthcare, livelihood development and water/sanitation. They received 101 unique responses, from which ninety-five were included in the final analysis.

They supplemented these survey responses with interviews from a representative sample of respondents to delve deeper into the survey findings, particularly to discuss the barriers to scale and sustainability. They also interviewed
representatives from a sample of investment funds, incubators, industry organizations and academic institutions prior to the survey to inform its content.

**Critical Comments**

- The report presents useful findings. It highlights a set of challenges and recommends the possible action for the Government, Policy makers, Investors, Donors and other enablers.
- It has considered only For-Profit social enterprises for this research. This leaves out a large number of social enterprises which do not operate for profit.
- The methods of data analysis have not been discussed anywhere in the report.
- Another gap in the study is the use of descriptive statistics only for presenting the data. It misses out on inferences which could have been drawn from the inferential statistics.

**2.4.2 India Social Enterprise Landscape Report - Asian Development Bank (2012)**

This report provides a broad overview of the SE landscape in India. It covers different sectors, their social and environmental needs along with their approach towards addressing them. It also highlights the key barriers confronting Social Enterprises and different enablers that facilitate their activities. The profiling of 120 Indian social enterprises furnishes the major insights of this report.

The report presents broad contours of India’s Social Enterprise space. It also tries to understand the characteristics of social enterprises which could potentially be listed on a proposed regional social stock exchange. The exchange has the aim to provide capital to the social enterprises for their growth needs. This exchange will consider the social and environmental impact along with financial performance.
The report also talks about ‘impact investing’ in India. Starting from the history to the current Government initiatives along with proposed policy changes, the report describes the impact investment scenario in the country. The report also brings out the point about the current trend of moving towards the hybrid business model.

The study gives an industry overview from the perspective of the different work domains of social enterprises i.e. Healthcare, Affordable Housing, Agriculture, Education, Energy, Livelihood Promotion, Water and Sanitation and Financial Inclusion. It explores the need assessment, social enterprises’ involvement in the domain and policy barriers and enablers along with a case of budding enterprise in the domain.

The study concludes with some of the specific design elements of innovative business models across domains. Common practices among successful SEs are:

- Customization of products and services to meet the needs of target market
- High product and service quality
- An asset-light infrastructure to minimize capital expenditure and maintenance costs
- Innovative outreach or distribution models to deliver products and services in a cost effective manner
- Usage of appropriate technology in design, production, and service delivery to improve efficiency
- Consumer ability to pay via variable pricing or financing
- Aggregation of multiple suppliers, especially in rural areas

**Methodology**

The objective of the report is to understand the broad contours of India’s social enterprise space, and to gain an understanding of what social enterprises could
potentially be listed on a proposed regional social stock exchange. This report has been written based on insights generated through a broad scan of more than 150 SEs in India, and in-depth analysis of ten of these enterprises. In addition, the report has referred to secondary sources to supplement the data available. It also ensures data representation across sectors: agriculture, education, financial services, health, water, waste management, livelihoods, housing and energy.

Using the data collected, 25 SEs were shortlisted for further research, based on the strength of their mission, track record of success, turnover of at least $5 million and their stated interest in raising capital. Finally, ten SEs were selected for detailed due diligence in order to assess investment readiness. The due diligence process included spending two days with each entrepreneur and enterprise senior management in order to better understand the business model, the social impact it creates, the management team and governance of the enterprise, financial performance of the last few years, and future growth projections.

**Critical Comments**

- The report presents useful data from different sectors of the social enterprise space. It gives an overview of all these sectors along with the social enterprises’ involvement in that transformation of the sector. It also underlines the policy enablers and barriers.

- It gives recommendation to the Policy makers, Investors and Donors.

- It gives case-let or comparisons of cases as an example for all the sectors. This gives the critical insights for each chapter.

- It has considered social enterprises as Medium, Small and Micro Enterprises (MSME) for this research which is not an appropriate classification for the social enterprises. It considers only the financial performance.

- The methods of data analysis have not been discussed anywhere in the report.
The rigor is only shown in data collection and there is no inferential statistics or rigorous data analysis. This study also uses descriptive statistics for presenting the data.

2.4.3 Enablers for Change - A Market Landscape of the Indian Social Enterprise Ecosystem – (GIZ, 2012)

This study sets out a market assessment on the incubators and impact investors that act as enablers of the social enterprise ecosystem in the India. It maps the services and products provided by typical incubators along with their geographical existence. It gives examples of both the Indian and international impact investors and incubators. In the course of their interaction with these stakeholders, this study identified few challenges:

- Access to Finance;
- Access to Talent;
- Scaling Up;
- Regional Inclusiveness;
- Sourcing and Pipeline;
- Capacity Building and Training;
- Impact Measurement, Transparency and Reporting;
- Ecosystem Coordination, Policy and Regulation; and
- Investment Exits.

The study also reports recent developments among bilateral and multilateral agencies, followed by conclusion with recommendations for action.
**Methodology**

The goal of the study is to do the market assessment on the incubators and impact investors that act as enablers of the social enterprise ecosystem in the India. In the process, it clarifies the services these different organizations provide, their business models and sector-wise, geographic and service related gaps, as well as the challenges they face from the individual perspectives of system enablers. It has taken a sample of 16 incubators and 33 impact investors. Additionally, it builds on face to face interviews with 12 sector representatives as part of a previous study on responsible finance trends in India, and subsequent bilateral stakeholder interactions on the theme. Finally, it incorporates feedback received by the participants of a multi-stakeholder roundtable workshop entitled ‘Identifying an Agenda for Action - Overcoming Indian Social Business Ecosystem Challenges’ organized by GIZ on 30th May 2012.

The impact investor sample was selected based on the criteria that the investor publicly acknowledges their impact investment focus on India, and that their investment portfolio had to consider the impact-first investments, rather than financials.

**Critical Comments**

- The report gives valuable information from the Investors and Incubators’ perspective. It offers an overview of all these sectors along with the social enterprises’ involvement in that transformation of the sector. It also underlines the policy enablers and barriers.
- It has considered social enterprises as Medium, Small and Micro Enterprises (MSME) for this research which is not an appropriate classification for the social enterprises as it considers only the financial performance.
- It gives recommendation for GIZ.
- The methods of data analysis have not been discussed anywhere in the report.
The rigor is only shown in data collection and there is no inferential statistics or rigorous data analysis. This study also uses descriptive statistics for presenting the data.

The above mentioned reports present interesting and useful findings overall. Their rigor in sampling and data collection is worth appreciating. But the analysis part becomes weak with just the descriptive statistics. This trend could easily be spotted in all of these reports. Apart from this, another gap could be their considerations for only for-profit social enterprises.

These gaps emphasize the claim of an academically rigorous attempt to this particular problem. For conserving the focus and limit the scope of this research, the sub sector ‘Livelihood’ was chosen. The section below gives a literature review of livelihood.

### 2.5 Livelihood Sector in Social Entrepreneurship

The study of livelihood sector can be started with the definition of the term livelihood. According to a collaborative study of ‘International Recovery Platform (IRP) and United Nation Development Programme (UNDP, India) the term livelihood has been recognized as humans’ inherently developed and implemented strategies to ensure their survival. This definition was broad and may include health or environment related strategies as well. So more focused definition was required.

Another definition considered was one of the most widely accepted definitions of livelihood. It was given by Chambers and Conway (1992)

A livelihood comprises the capabilities, assets (stores, resources, claims and access) and activities required for a means of living. A livelihood is sustainable when it can cope with and recover from stress and shocks and maintain or enhance

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its capabilities and assets both now and in the future, while not undermining the natural resource base.

This definition considers ‘capabilities’, ‘assets’ and ‘activities’ for defining livelihood. The capabilities are inherent and it requires favorable circumstances (i.e. proper training, market accessibility, interested customer) to generate livelihood through them. Thus, it is important for any organization promoting livelihood that they work towards creating favorable circumstances for better utilization of the capabilities. The assets are possession (i.e. land, animal, equipment, wealth) which a person can have legally. The optimum utilization of these can only lead to sustainable livelihood. The activities include conversion of material into products or providing services as per market requirement. This definition was also refuted by Phansalkar (2003) as broad definition. Deliberating on the short comings of definitions, Phansalkar himself defined the word livelihood as an occupation or engagement that provides lawful and gainful employment and a sufficient income to meet the basic food needs of a family. The drawback of Phansalkar’s definition was that, that it was too narrow. This definition mentions only food needs which leaves out the other needs.

Indian researchers Mahajan et al (2008) had defined livelihoods as “a set of activities a household engages in on a regular basis in order to generate adequate cash and non-cash income to maintain a minimum desired standard of living, both on a day-to-day basis and over a longer period of time.” This definition foregoes the legal aspect related to livelihood.

Another significant definition was given by ‘Ashoka’, which endorse livelihood as ‘working for creating favourable circumstances, optimum utilization of resources and directing the activities in more market acceptable direction’. This definition implies livelihood as creating economic independence for individuals by expanding economic opportunities, strengthening bargaining power and developing market
linkages. After considering various definitions of livelihood sector, this study accepted the definition given by Ashoka as the definition of the Livelihood Sector. Apart from definition ‘Ashoka’ also possess a data base of Social Entrepreneurs working in Livelihood sector, as per this definition. In the absence of any other properly defined data base this had been used as the scope of this study.

Few of the challenges of the social enterprises, working in livelihood, emerge from the fact that the beneficiaries of a social enterprise are widely market dependent (Dorward, 2001). This makes them prone to the dynamics of the market and competition from the other players of the market.

Livelihoods promotion is not a well-defined sector and thus the impact of any regulations on the operations is negligible. The skills development sector is unregulated (ADB, 2012). The flow of capital into livelihoods promotion is limited because few business models in the space have achieved their desired scale or profitability. The flow of capital into skills development is gradually increasing because many enterprises in the sector were early starters and are currently in the growth stage of development (ADB, 2012).

They can be broadly classified as product-based or service-based (Allen et al, 2012).

A social enterprise called ‘Access Development’ publishes State of India’s Livelihood Report every year. In their report edited by Dutta & Sharma (2010), they have mentioned challenges specific to the livelihood sector but they focus on agriculture based livelihood only. The other forms of livelihood activities are not explored. There is a need to investigate the livelihood sector in totality and this study aims to fill this gap.

Based on the gaps identified through literature review and evidences gathered through preliminary exploratory research, a few objectives, as mentioned earlier,
have been identified for further examination. The outcome of the study will show how the dynamic system creates hurdles and enablers for the social enterprises.