

**SIERC**

**New Zealand  
Social Innovation and  
Entrepreneurship  
Research Centre**

Proceedings of the  
**Social Innovation  
& Entrepreneurship  
Conference**

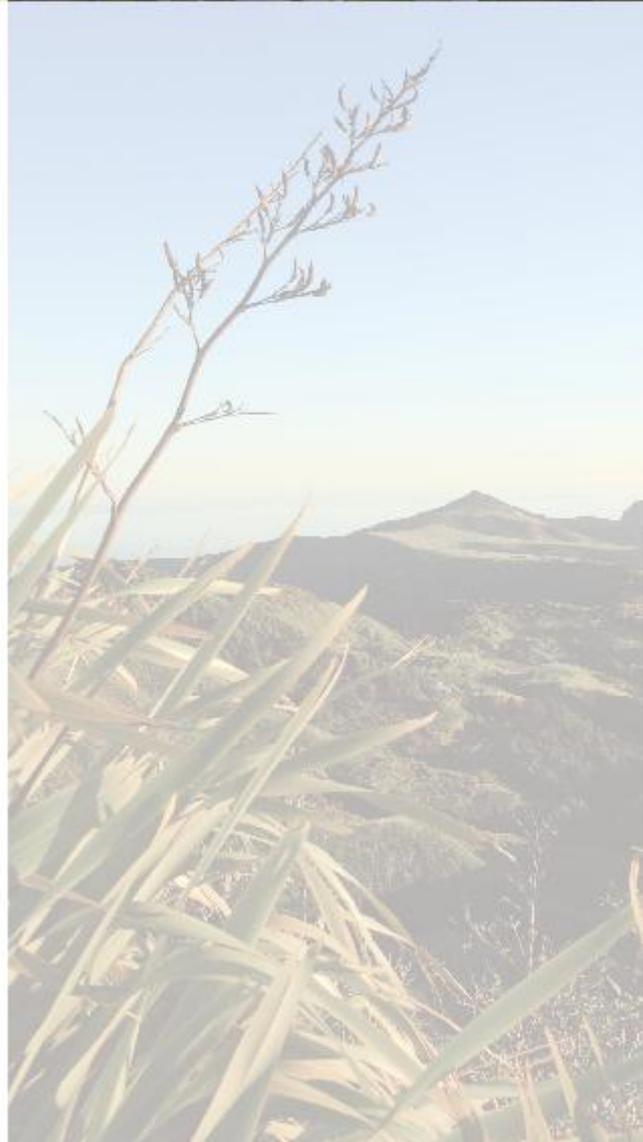
Collaborating  
for Impact

**Massey University  
Auckland Campus  
10 - 12 February 2016**



**MASSEY  
UNIVERSITY**  
TE Kōwhiri ki Pōkeniha

**UNIVERSITY OF NEW ZEALAND**



Proceedings of the Massey University  
Social Innovation and Entrepreneurship Conference:  
Collaborating for Impact

Massey University, Auckland Campus

10 - 12 February 2016

Anne de Bruin

Kate V. Lewis

Editors

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New Zealand

# Preface

The third, international Massey University Social Innovation and Entrepreneurship Conference took place from 10-12 February 2016, at Massey University's innovation campus – the Auckland Campus. As with our successful inaugural 2011, and second 2013 conferences, this conference was an initiative of the New Zealand Social Innovation and Entrepreneurship Research Centre (SIERC). It was convened to contribute to SIERC fulfilling its main purpose: to conduct, support and disseminate research that contributes to advancing social innovation and entrepreneurship in New Zealand and internationally. Our conference theme *Collaborating for Impact* was chosen to reflect the importance of collaborative action for advancing this emerging scholarly field and also for addressing today's important social and environmental issues.

The opening keynote of the conference by successful New Zealand businessman and philanthropist, Sir Stephen Tindall, was simultaneously a public lecture in the Massey University, Auckland Campus, Engine of the new New Zealand Lecture Series. It was attended by around 300 people, including conference participants.

The conference Mihi whakatau (Formal Welcome) was by Haahi Walker, Ngāti Whātua o Kaipara kaumātua. We are grateful for this support.

Children from the Kapa haka group of our neighbourhood school, Albany Junior High School, performed to entertain and support a traditional Māori welcome to everyone. The children were an absolute delight to watch and they entertained conference participants and all those attending the Lecture, with fervour and warmth. A very big 'thank you' to the children, their teachers and the school for their participation.

We appreciate the ongoing support of the Vice-Chancellor, Hon. Steve Maharey to SIERC and its key activities. As with our other conferences and high profile events organized by SIERC, he was there, travelling up from Palmerston North, to support the 2016 conference. He opened the conference and introduced the distinguished opening keynote Sir Stephen, and his concluding comments were insightful.

We also thank Professor Ted Zorn, Pro Vice-Chancellor of the Massey Business School and Deputy Vice-Chancellor, for his strong support for this conference.

In general, we thank Massey University for the support for this event. We especially mention the Campus Registrar Andrea Davies who was generous in her support and her Events Management team for their smooth and flawless organization of the opening keynote lecture. While it is usual for the University to make available its facilities and professional staff to support such events, this cannot be taken for granted and we greatly appreciate the assistance given by many of the staff at Massey University.

We would like to thank very much each of the presenters at the conference, including the distinguished Keynote Presenters, Special Session and panel participants, those who served as chairpersons of the sessions, the Associates and External Affiliates of SIERC who were active participants, and all other participants in the conference. Your contribution was both valuable and much valued.

These Proceedings are organized as follows: The first section features the Keynote presentations and provides a short introduction to each of the presenters, a synopsis of their presentation, and where available, a copy of their presentation slides and a full paper in one case. The second and third sections feature material from the Special Sessions. Once again short introductions are provided for presenters along with a synopsis of their presentation and, if available, presentation slides and other material. The fourth section gives details of a special Panel Session. The final section of the Proceedings features the paper contributions. The majority of paper presenters supplied a full paper for the Proceedings. For those that did not, we include their abstract.

SIERC conferences are a unique experience. They are niche conferences that provide a forum for all stakeholders – researchers, social entrepreneurs, funders and philanthropic organisations, practitioners, community and policy advisers – to be involved in dialogue critical to advancing understanding of social innovation and entrepreneurship. Free and open dissemination of the conference material supports the SIERC Mission and the conference theme: *Collaborating for Impact*. Together with my co-editor, Kate Lewis, we hope you find the Proceedings of value.

I conclude with SIERC's Whakatauki (Maori proverb). It effectively captures the collaborative spirit and aim of the conference to advance social innovation and entrepreneurship, collaborating for impact in addressing the pressing societal challenges of today's world.

*Nau te rourou, Naku te rourou, ka ora mai te iwi  
With your basket and my basket the people will survive*

**Anne de Bruin**  
Director, SIERC

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## **I. Keynote Addresses**

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### **The Profit & Non-Profit Journey**

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#### **Sir Stephen Tindall**

Founder & Director The Warehouse  
Co-founder & Trustee, The Tindall Foundation  
New Zealander of the Year 2015

#### **KEYNOTE PRESENTER**

Sir Stephen Tindall, New Zealander of the Year 2015, was awarded the Knight Companion of the NZ Order of Merit in 2009, received the Distinguished Companion of the NZ Order of Merit in 2007 and in 2006 the Sir Peter Blake Leadership Award.

He is the Founder and current Director of The Warehouse Group Ltd. and co-Founder and Trustee of the philanthropic family foundation, The Tindall Foundation.

#### **PRESENTATION SYNOPSIS**

From the time Sir Stephen started in business in 1970 at George Courts through until he floated The Warehouse Group in 1994, it was a focus on survival and positioning in the profit world to enable him to save sufficient capital to start The Tindall Foundation which has been distributing philanthropy in NZ for the past 20 years. Since then \$140M has been donated on a hand up, not hand out basis and Stephen will explain the relationship between the profit and non profit world.

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# The Network Effects and Workforce Implications of Cross-sector Collaboration

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## **Professor Josephine Barraket**

Director, Centre for Social Impact  
Swinburne University of Technology, Australia

## **Stella Avramopoulos**

Chief Executive Officer, Kildonan UnitingCare  
Kildonan UnitingCare, Australia

## **KEYNOTE PRESENTERS**

Professor Jo Barraket is Director of the Centre for Social Impact Swinburne at Swinburne University of Technology in Melbourne, Australia. Jo's long term research interests include social enterprise and relationships between sectors in contemporary public governance. Jo is principal author of the book, *Social Procurement and New Public Governance* (Routledge) and co-editor of the book, *Creating and Implementing Public Policy* (Routledge).

Stella Avramopoulos is the Chief Executive Officer of Kildonan UnitingCare, an innovative and trusted organisation within one of Australia's largest welfare networks, UnitingCare Australia. Kildonan delivers financial counselling, energy advice, settlement services and family support services to more than 20,000 Victorians each year across metropolitan Melbourne through to Northern Regional Victoria. It also has a corporate arm which consults nationally to the utility, telecommunications, banking and government sectors on issues affecting vulnerable consumers.

## **PRESENTATION SYNOPSIS**

Social sector reforms at all levels of government, combined with growing complexity of social needs are driving new service designs across sectors (Bovaird, 2007; Osborne & Strokosch, 2013). As both not for profit and private for profit organisations look for new ways to meet the needs of their clients, some are looking to each other for synergies that realise the potential of 'collaborative advantage' (Huxham, 1996). Hybrid service offerings arising from such partnerships can be complex to manage and require new ways of working from the staff who deliver them. In this session, Jo Barraket and Stella Avramopoulos will reflect on a project that is both a research collaboration and a study of collaboration between Kildonan UnitingCare and private for profit firms. The initiative studied was designed to provide holistic levels of care for people experiencing financial hardship and improve the referral pathways and information flow between participating organisations so that, once a client enters one program or service, they can be referred to other programs and organisations with greater ease than previously possible. The first phase of the study utilised social network analysis (SNA) and qualitative methods to examine the early stages of development of the partnership and the implications for staff.

In the presentation, Stella and Jo present the early research findings and reflect on the practical implications of the initiative for Kildonan as an enterprising not for profit organisation, the value of the research for service improvements and the wider implications for cross-sector collaboration.

## PRESENTATION

# Considering the network effects and workforce implications of cross sector collaboration

Jo Barraket – Centre for Social Impact Swinburne

Stella Avramopoulos – Kildonan Uniting Care



## Acknowledgements – our cross sector team

- Joanna Leece
- Ty Newton
- Andrew Joyce
- Mike Moran
- Emily Foenander
- Caitlyn MacKenzie



## Objectives of this presentation

- Describe and report on CareRing initiative, as an exemplar of new cross-sector collaboration
- Consider particularly the network qualities and workforce effects of cross-sector collaboration
- Reflect on drivers and effects of collaborative efforts:
  - In service design and delivery
  - In community sector-university research



## Drivers of the 'collaborative turn'

- From the literature:
  - New public governance (Osborne 2006)
  - Demographic and economic changes
  - Social innovation agenda
- In practice:
  - Household needs are becoming increasingly complex with *multiple presenting issues across multiple services AND industries*
  - Services and information can be *difficult to access and navigate*
  - *Utility retailers and financial institutions are not equipped* to offer holistic assistance to their vulnerable customers on their own
  - *Government funded services* focus on specific issues/ outcomes and responses for holistic service provision BUT remain within the context of 'community services'



## Why CareRing – Case Study

An iceberg floating in the ocean. The tip of the iceberg is above the water line, and the much larger part of the iceberg is submerged below the water line. This visual metaphor represents the hidden complexities of Sharon's situation.

**WHAT CORPORATE SERVICES/RETAILERS KNOW**

- Sharon is an unemployed single mother currently seeking employment
- Her account is in arrears and payment plans haven't worked
- Sharon will bring her account up to date once she gets a job
- Genuinely wants to pay but can't

**WHAT GOVERNMENT FUNDED SERVICES KNOW**

- Sharon is a victim of family violence and recently needed to flee the family home with her children
- As a result, Sharon suffers from post traumatic stress disorder, Community Services are concerned about her capacity to care for her children
- She is staying with friends and is at risk of homelessness
- Her only source of income is emergency relief and she and her children have often gone without food
- Sharon is struggling to keep on top of a number of outstanding bills



5



## About CareRing

- CareRing represents an holistic approach to supporting and empowering vulnerable customers.
- **Vision:** *To transform the way community, corporate and government sectors work with Victoria's vulnerable*
- Involves a **multi-disciplinary team undertaking an initial comprehensive assessment** with the flexibility to determine which service/s are needed and respond with a range of service offerings and service connections across industries and government



# The Evaluation

- Initiated prior to program launch
- Mixed methods approach, including:
  - Social Network Analysis of the service (trust, information, collaboration)
  - Qualitative interviews (staff, partners, clients)
  - Secondary analysis of routine client data
  - Longitudinal (two waves, so far)

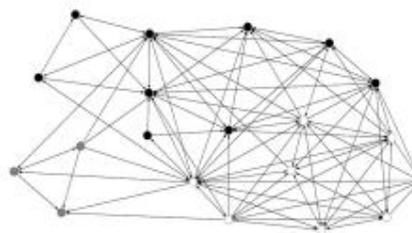


## Findings – Network Qualities: Trust

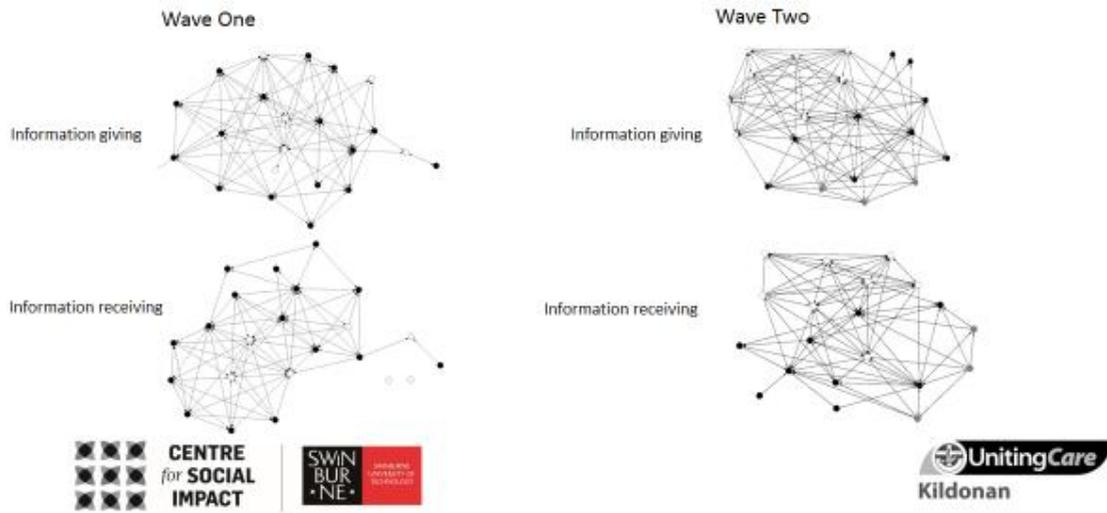
Wave One



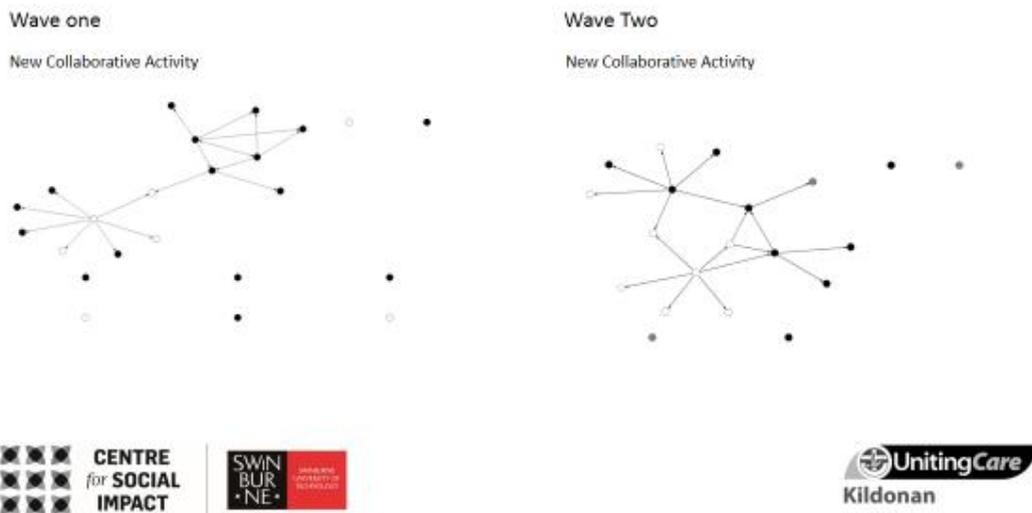
Wave Two



# Findings – Network Qualities: Information



# Findings – Network Qualities: New Collaboration



## Findings – Workforce Implications

### Staff insights from cross-sectoral collaboration:

- An evolving understanding of stakeholder interests
- Change in **NFP skills** and **culture** as effect of formalising interaction with corporate partners
- Sharing and evolving organisational **knowledge**
- New relationship development capabilities (**legitimacy** and **reputation**)



## Reflections – service design and delivery

- Enablers:
  - Establish '**authorised**' **environment** for each of the partners
  - Identify and engage **key leaders** and **skill sets** throughout organisation
  - Understand **language** and cultural differences
  - Start with **trusted partners**
  - **Technology**
- Responses to learnings and evaluation:
  - Identified need for **capacity building** and **training of corporates** prior to joining the partnership, resulting in **new 'rules of engagement'** enforced
  - **Include researcher** in key meetings and discussions with partnership



## Reflections – research collaboration

### • Benefits (Kildonan)

- New knowledge that builds a **'business case'** for next phase
- Support to develop new **information systems**
- New tools (eg network maps) for **internal reflection** and public presentation
- **Credibility** of external evaluation
- Enhancing **reputation** for professional and evidence based practice

### • Benefits (CSI Swinburne)

- A **live research setting** in which to explore multiple questions
- Opportunity for **longitudinal** insights
- New research **funding** opportunities through partnership
- **Credibility** of community sector partner



## Reflections – research collaboration

### • Tensions:

- Kildonan – exposure and vulnerability to researchers.
  - Managing priorities of each of the industry partners, without compromising research principles
- CSI Swinburne – balancing partnership and independence

### • Solutions:

- Building and maintaining trust
- Strong protocols around use and dissemination of research
- Listen to staff who can identify areas of service alignment and linkages across industries





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## **Social Enterprise and Wellbeing: An Impactful Space**

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### **Professor Jane Farmer**

Associate Pro Vice Chancellor, Research, College of Science, Health & Engineering  
La Trobe University, Australia

### **KEYNOTE PRESENTER**

Professor Jane Farmer is Associate Pro Vice Chancellor, Research, College of Science, Health & Engineering, La Trobe University, Melbourne. In 2010, Jane came to La Trobe from Scotland where she was Co-Director of the Centre for Rural Health Research & Policy, a jointly run research institute between two universities, University of Aberdeen and University of the Highlands & Islands (UHI). Jane's current research interests are in community and citizen engagement and involvement, co-designing and co-producing health services and measuring outcomes of this as a means to increase health literacy (& therefore health) and civil participation. Jane is also engaged on research on ways to measure the difference made to health and wellbeing through participation in new institutions and modes within contemporary society, particularly the role of social enterprise in improving health and wellbeing. Jane has written extensively on rural health services and led ground-breaking projects around working with communities to produce health services, including the current NHMRC funded Rural ECOH project that engages rural community members in Queensland & Victoria in improving dental and oral health through understanding and applying the evidence base. In Scotland, Jane led a 5-country European Union (EU) funded project on community health co-production which won an EU RegioStars award (2011-12). Another project on community participation – Remote Service Futures – won a Scottish Government innovation award (2010-11).

### **PRESENTATION SYNOPSIS**

The talk will discuss some 'experimental' studies using geographical theory to explore, explain and even measure, what happens for participants in social enterprises and then how this impacts on their everyday community life. It considers the wellbeing relationship between social enterprises, participants and the community. As well as expanding horizons by considering theories from geography as providing useful tools, the talk will give insights into the transformational and moving journeys of some social enterprise participants. These individuals have experienced social enterprise as a space with the potential for wellbeing realization.



## Social enterprise & wellbeing

### **Professor Jane Farmer<sup>1</sup>**

with lots of intellectual input from:

Prof Jo Barraket<sup>2</sup>, Dr Katharine McKinnon<sup>1</sup>, Tracy de Cotta<sup>1</sup>, Dr Sarah-Anne Munoz<sup>3</sup>, Dr Chris Brennan-Horley<sup>4</sup>

1. La Trobe University, Bendigo, Victoria, Australia
2. Swinburne University
3. University of the Highlands & Islands, Inverness, Scotland
4. University of Wollongong

## What I am going to talk about

- Experimenting with spatial thinking....
- To think about if and how social enterprises generate wellbeing for disadvantaged people and communities
- Two multi-disciplinary pilot studies to see:
  - If we can detect wellbeing, how it is realised
  - Potential of Spaces of Wellbeing Theory
  - Added value & feasibility of methodology from relational geography

# Why is this of interest ?

- Links made between social enterprise & addressing disadvantage
  - 2015 Australian Government welfare reform says community capacity building is a pillar & SE part of that
- Individual (wellbeing) and place (community capacity-building) [how do these link?]
- Social enterprise, disadvantage, wellbeing, community capacity -> multi-dimensional concepts [how can these things be researched?]
- Problems with current methodology?
  - Productivity Commission 2012 & 2013 highlights poor methodology for measuring disadvantage & non-profit sector
  - Researchers highlight SE addresses disadvantage, but need better methods (Teasdale, 2010; Eversole et al, 2014; Barraket & Archer, 2010 etc.)
- Getting at the authentic voices of people experiencing disadvantage/from the community

Australian Government. (2015) *A new system for better employment and social outcomes*. Canberra: Commonwealth of Australia. Productivity Commission. (2012) *Contribution of the Not-for-Profit Sector*. Canberra: Commonwealth of Australia. Productivity Commission. (2013) *Deep and Persistent Disadvantage in Australia: Working Paper*. Canberra: Commonwealth of Australia. Teasdale, S. (2010) How can social enterprise address disadvantage? Evidence from an inner city community. *Journal of Non-Profit and Public Sector Marketing* 22(2), 89-107. Barraket J, Archer V. (2010) Social inclusion through community enterprise? *Third Sector Review*, 16(1), 13-28. Eversole, R., Barraket, J., Luke B. (2014) Social enterprises in rural community development. *Community Development Journal*, 49(2), 245-61.

## Study aims

- Can geographical theory, concepts, methods, thinking & technologies provide a new methodological 'space' for understanding & identifying wellbeing generation?
- Findings & reflections from two pilot studies of wellbeing at one social enterprise?





## Green Shed



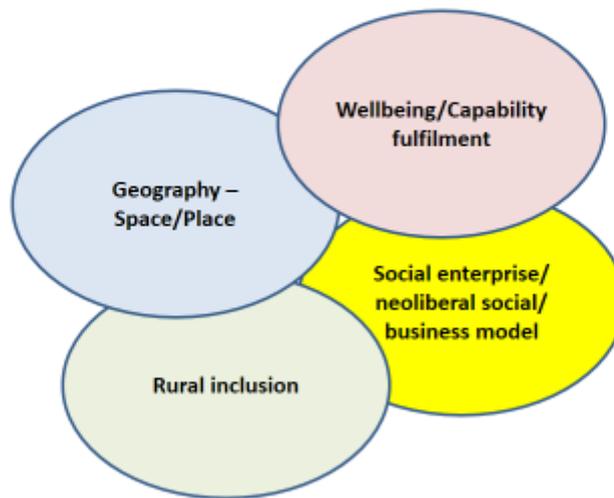
- Green Shed is a Social Enterprise
  - Not a traditional 'men's shed'
- Firewood & woodwork, contracts with services + community grants
- Inclusion of people with a disability
- Inclusion of people from correction system
- And referred or volunteering local people....

## Where is this study located?



Former goldmining town  
156km from Melbourne  
Population: 4346  
Median age: 38  
Average household: 2.4  
Median household income: \$695 per week  
95.7% white Australian  
12.8% professional

## Location re discipline areas



## Relevant ideas

- **Health geography**
  - Therapeutic landscapes (Gesler)
  - Greenspace/bluespace/seaspace
- **Spaces of voluntarism**
  - Changing spaces within neoliberalism (Milligan)
  - Capacity to provide volunteering (Skinner)
- **Spaces of caring**
  - extitutionalisation
- **Socio-ecological model**
  - Built environment (Giles-Corti)
- **Spaces of wellbeing**
  - Enablement
  - Psychological features of interaction with space

## Enter the world of relational geography...

- **Space** = in a sense, emptiness where something is produced by inter-relations (operating at different scales) of ... practices, people, culture, material things. Space is a product of relations.
- **Place** = a particular event or coming-together-ness (in time and space); a node in a network of inter-relations
- **Assemblage** = the gathered-together-ness of how/what experiences, conditions, attributes in space.
- E.g. a therapeutic space will have: cultural associations with wellbeing, practices, stories, people, material objects (e.g. a health spa as a space of wellbeing)

Massey, D (2005) *For Space*. Sage.

Cummins, S et al (2007) *Understanding and representing 'place' in health research: a relational approach*. *Social Science & Medicine*, 65, 1825-38

Foley, R (2014) *The Roman-Irish Bath: medical/health history as a therapeutic assemblage*. *Social Science & Medicine*, 106, 10-19.

## Wellbeing and the role of space

- **Assemblage** is a way to comprehend & thus analyse how wellbeing comes about
- Atkinson suggests Turner's concept of **liminality**
  - Crossing a threshold
  - Dissolving of structure
    - Creating new fluid situation
  - *Communitas*
    - Common humanity & equality
- **GreenShed**
- A space designated for wellbeing?
- Within a fairly troubled community
- Does it facilitate a threshold crossing?



# Wellbeing in spaces



adapted from Fleuret, S & Atkinson, S (2007) Wellbeing, health and geography: a critical review and research agenda. *New Zealand Geographer*, 63, 106-118. – based on multidisciplinary review of literature.

## Methods

- To explore how a SE generates wellbeing...
- Using SoWT as guiding framework
- Sample:
  - All paid staff (n=3)
  - All 'volunteers' that agreed (n=21)
- Ethnography – 5 visits => analysis
- Focus groups => verify
- Walking interviews (4) -> GPS tracking plus voice recording
- Data location-tagged & stored in GIS

Munoz, S-A, Farmer, J., Winterton, R., Barraket, J. (2015) The social enterprise as a space of wellbeing: an exploratory case study, *Social Enterprise Journal*, 11(3), 281 - 302

## CAPABILITY



### Capability<sup>a</sup> through

#### Opportunity for Physical Activity

- Workshop activities require physical actions
- Ethos of inclusion creates support for engaging in production & activity

#### Opportunity for Employment Skills

- Workshop activities involve transferable skills
- Those experiencing un- or under-employment are 'given a chance'

#### Opportunity for Life Skills

- Diversity encouraged - facilitates cross-group exchange

#### Normalises going to work

- Un- or under-employed get (back) to work routine

#### Facilitates Independent Thinking

- Opportunities for independent thinking & problem-solving

*Adrian (Volunteer) ...we don't really have any restrictions in here. Like, if you're able to think that you can do something... more or less when you're here, you give something a go and that shows you 'oh wow! I can actually do this' and everyone's here to help each other...*

## SECURITY

### Security<sup>a</sup> through

#### Facilitating awareness of differences leading to informed understanding of club

- Learning from each other about risky behaviours & their implications; e.g. risks of heavy drinking & drug-taking.

#### Offers escape from negative external influences

- Shared 'ground rules' provide a space to escape negative influences in home life & community (e.g. peers involved in drug-taking)

#### Exposes to staff advocacy & support

- Allows volunteers access to knowledge, networks & support of staff.

*Colin (volunteer) ...you know if any of us has any problems we can always sit down and have a chat with Nathan (staff member)... or, like me, I lost me mate about three months ago... I didn't know which way to turn. I went to go and see Sally (staff member) and she started to get me out of it...*

*Look at it this way, you're over 50 out there in the workforce and people don't want to employ you... so after working, staying at home is no good, you've got to get back into socialising with people and doing all sorts of things, like you can do here Harry (volunteer)*



## INTEGRATION

Integration <sup>2</sup> through
<p><b>Opportunity to form social relations</b></p> <ul style="list-style-type: none"> <li>• Activities are structured to enable &amp; promote interaction</li> <li>• Staff promote social interaction</li> <li>• There are areas to take time-out from work</li> </ul>
<p><b>Opportunities for mixing diverse people</b></p> <ul style="list-style-type: none"> <li>• Diverse volunteers access the SE</li> </ul>
<p><b>Potential to use networks for problem-solving</b></p> <ul style="list-style-type: none"> <li>• Volunteers interact with people whose experience, advice and contacts they can benefit from</li> <li>• Interaction arises in production and in other SE spaces</li> </ul>
<p><b>Exposure to discourses of inclusion</b></p> <ul style="list-style-type: none"> <li>• Uniting diverse people is encouraged by staff. Volunteers see SE as an inclusive space. Staff &amp; volunteers vocalise a shared well-being discourse.</li> </ul>
<p><b>Separation of group identity &amp; worth</b></p> <ul style="list-style-type: none"> <li>• Production activity facilitates teamwork. Unites those of varying physical ability. Some find new caring or mentoring roles.</li> </ul>

## THERAPY

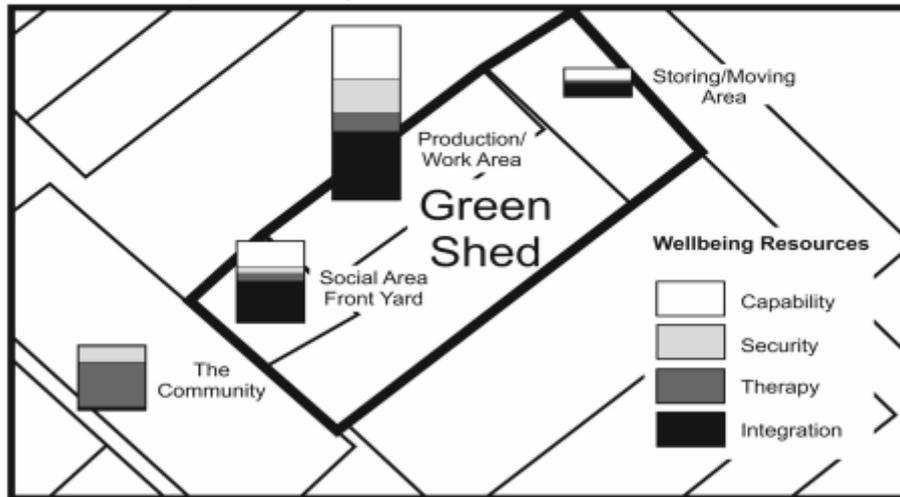
*Nathan (staff member) ...story about Jack... ...and I must have asked him 6 or 7 times before he ended up coming in... I realised in the end that he walked past the gates ...and after I'd asked him a few times he would stop and lean on his walking frame and look in... and then one day he said 'all right, I'll come over' and he's come every day since... he doesn't have a walking frame anymore...*



Therapy <sup>2</sup> through
<p><b>Generation feelings of value, worth, usefulness</b></p> <ul style="list-style-type: none"> <li>• Activities are viewed as worthwhile</li> <li>• Producing a product for sale is seen as conferring value on work</li> <li>• Inclusive ethos generates feelings of valuing &amp; being valued</li> <li>• Volunteers help others</li> </ul>
<p><b>Promotion of an 'alternative' workplace</b></p> <ul style="list-style-type: none"> <li>• By providing an employment space, the SE's activities take on a therapeutic nature</li> </ul>
<p><b>Exposure to discourses of health recovery</b></p> <ul style="list-style-type: none"> <li>• Staff &amp; volunteers share &amp; vocalise discourses of physical &amp; mental recovery</li> </ul>
<p><b>Allows volunteers to find a 'place'</b></p> <ul style="list-style-type: none"> <li>• Therapeutic experiences generated by finding a 'sense of place'.</li> </ul>

# Findings re wellbeing in space

Green Shed as a space of wellbeing



## So what...

- It is feasible & useful to use space as a frame for identifying wellbeing generation
- Our Shed was generating wellbeing (using SoWT)
- Production space produced more discussion of wellbeing overall & proportionately most of integration and capability
- Social area was used almost to process resources
- Community life juxtaposed with “Shed Life”
- **But does the Space of Wellbeing extend beyond GreenShed into ‘community life’?**

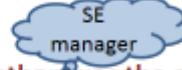
## Next Study: SE, wellbeing & community

### Methods

- Spent time building relationships at the SE
- Identified 7 SE participants
- Draw 'mental map' of daily life, including the SE
  - Including discussion
- Walking 'interview' with photos [GPS & audio-tracked] – mainly in pairs
- Further interviews with 4 'new found' community (boundary-crossing) informants
- Data
  - Drawings & maps
  - Interview data
  - Photos
  - Ethnog/observn. data
- Challenges
  - Lack of confidence with map drawing
  - Apparently 'thin' data
  - Reflexive capacity?
- Benefits
  - Verifying data (from range of informants)
  - 'Assembled' mixed data at location points
  - Enjoyment & empowerment

## SE Participant: Corey's story

- Corey moved to Minetown two years previously with his father and brother; his father subsequently died
- history of 'anger issues'



**"I've been taking medication for ages for my anger. Nathan was the one that has really talked with me about it. I've been seeing all these doctors about it because I used to, since I was a teenager, if people piss me off, I turn around and I feel like I'm gonna smash em...."**

- Developed a habit of hanging out at a town bus stop & getting angry/shouting

**Corey: "I was hanging out at the bus stops mainly, but I've not done that for ages now. All of the shop owners complained about me. I was yelling at the people and what not. I used to be really aggressive, I still am a little bit – and people used to be intimidated because they'd hear me yelling at people at the bus stop and my girlfriend at the time"**

- Nathan: **"people were frightened when he's walking down the street. I had all these shop owners come down and say 'those boys...do they belong to you....'"**

## SE Participant: Corey's Story

- Identified by local shop owner Amanda whose parents are participants at the SE
- Amanda referred Corey to Nathan, manager at the SE

**Corey: "I like hanging out here cos it makes me feel comfortable and they're good people, they treat me like I'm one of their family or something you could say"**

- On the walking interview...

**I: "so this is the infamous bus stop you used to hang out at"**

**Corey: "yeh that's right, there's the shop owner as well – I have to wave now"**

- Corey now goes in and volunteers his help at the shop from time to time

**I: "so how often do you work with the shop owner now?"**

**Corey: "I'm in there if they need me to do things for them"**

## SE Participant: Joe's story

- History of various mental illness

Joe: "I was going downhill even when I was working. I had drugs and alcohol problem. I'd been to a lot of places to detox and things like that but I was still in denial with a lot of things because...when I was institutionalised in the baby home something happened to me. Because of the trauma it caused me to be schizophrenic. I was in a home where I was raped from the age of 6 until I was 11. it took many years before I came to terms with that... I'd come to reality, but there was too much pain so I'd get more drugs and alcohol and go down again..."

- Found it hard to cope with context of daily life – going to pharmacy, doctors, etc.

Joe: "before I came here [SE] , I was pretty angry and I was very suspicious of everyone and that was my psychological habit over the years. It was the one way that I survived... they were the wrong mechanisms, but they were the only ones that I knew. Nathan came with me to the chemist. When I first went up there, I went off because I thought they were trying to rip me off. They were showing me these things and I couldn't work it out. I was confused. So I told Nathan and he came up with me and made them do a list and then sign for it..."

## SE Participant: Joe's story

Joe: I'm alright now. A lot of things happen here – people sit around and talk and I'm here at this time....after 3 years, I am able to laugh at myself, which is something I've never done – people used to call me stuff and I'd go off at the deep end, but now people can call me what they like – it doesn't affect me, cause I've learnt I'm myself..."

- On the Walking Interview, Joe discusses going into the op shops, meets people on the street and says hello, discusses going into chemist and newsagent and the bank
- He has developed a range of contacts in the community
- Places discussed – park where exercise classes took place, YMCA where they go to interact with people with a disability that also go to Green Shed, a fence SE participants built
- These places become points of discussion/manifestation of what SE participants are getting from involvement in the SE

## Locations in Corey's story

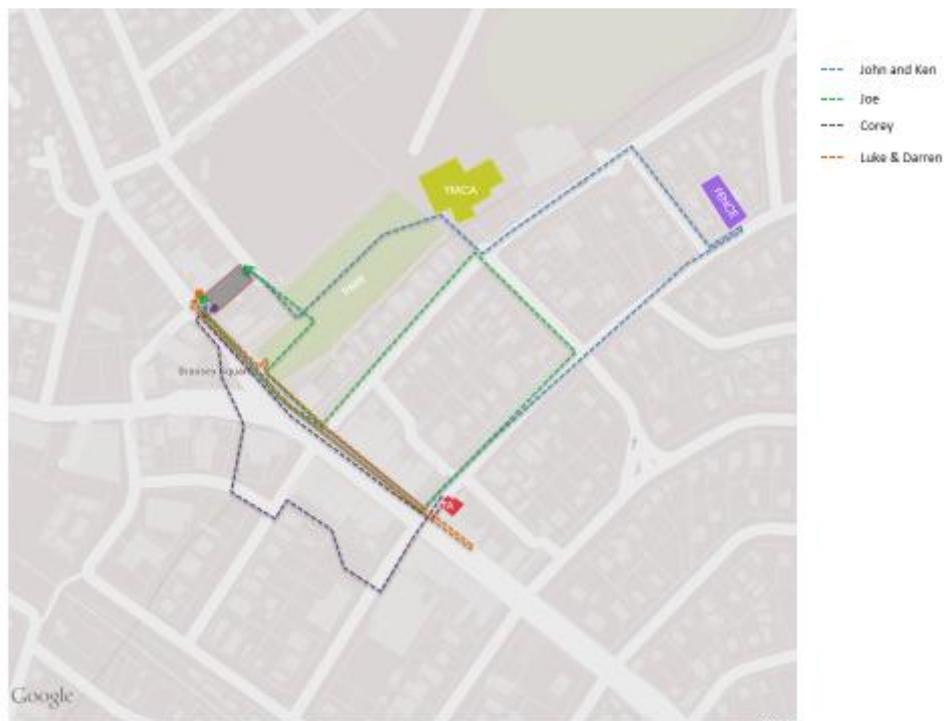
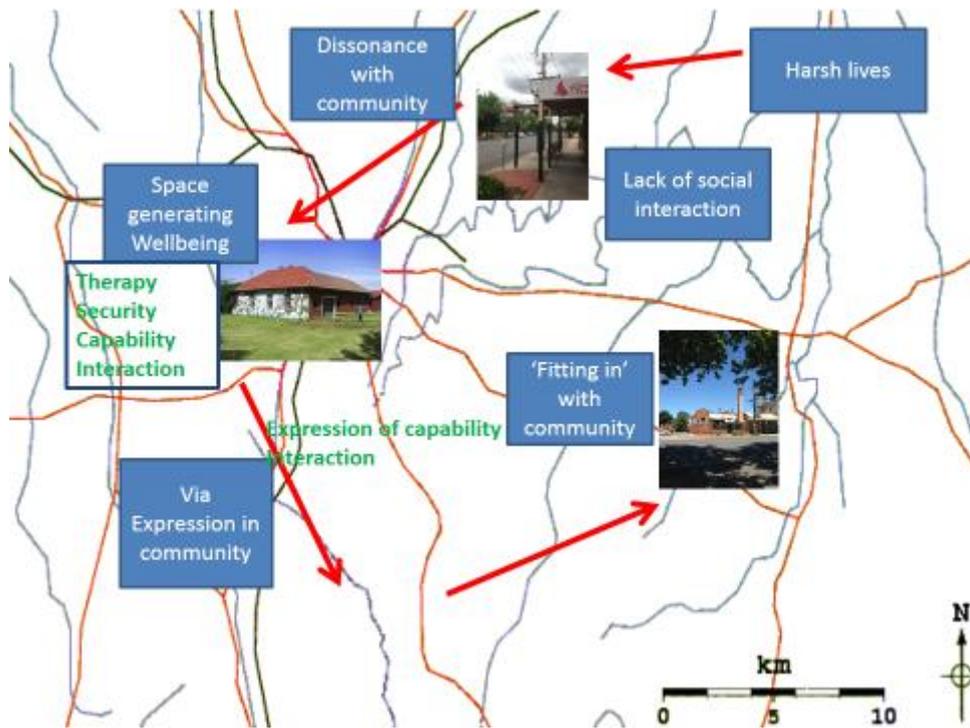
**Bus Stop – place of noisy,  
disruptive behaviour**

**Shop beside the bus stop where  
Corey now helps out**

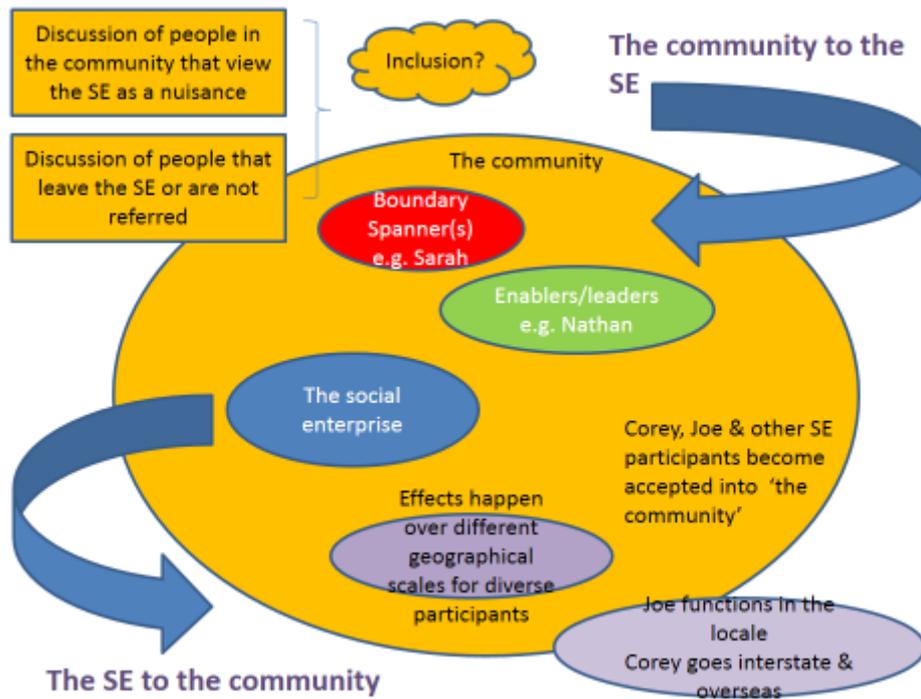
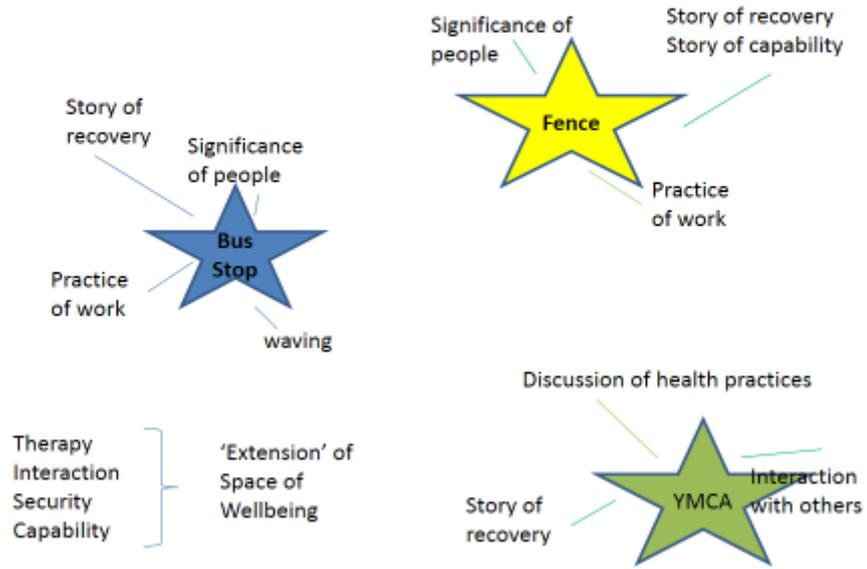
## Locations in Joe's story

**Fence made by participants from  
Green Shed**

**Pharmacy in which Joe can now  
interact**



How wellbeing was assembled.... (why location tagging was useful)



## What can we conclude?

- It looks like the SE functions as a 'space of wellbeing'
- It looks like the wellbeing space extends beyond the walls of the SE (but contingent on the right assemblages = people, places, etc.)
- It looks like others get wellbeing – boundary crossers
- It may be that some are excluded/ that the SE is excluded in some ways?

## What did the spatial methodology give?

1. Assemblage gives a way of disentangling & thus analysing how wellbeing comes about.
2. Mapping provides a visual (quantitative) way to assess how wellbeing comes about
3. Further mapping could show the reach of wellbeing for people and social enterprises
4. Empowering method of engaging disadvantaged participants and gaining a range of data that can be triangulated / assembled

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# Rendering the Social Solidarity Economy to make Cooperative and Mutual Enterprises Visible to Educators, Policy Makers, and Researchers

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## **Dr. Rory Ridley-Duff**

Reader in Cooperative and Social Enterprise  
Sheffield Business School, UK

## **KEYNOTE PRESENTER**

Dr. Rory Ridley-Duff worked for 12 years as a director of the workers' co-operative Computercraft Ltd before building his academic career through a PhD study of School Trends Ltd during its conversion to a social enterprise. His primary research interest is the process by which democratic relations develop in both informal and formal organisations and affect governing processes.

He has now authored 35 scholarly papers, four books and two novels. In addition to *Understanding Social Enterprise: Theory and Practice*, he has published *The Case for FairShares* to articulate findings from a decade of action research at Sheffield Business School. His recent work explores social enterprise as a route to solidarity between social entrepreneurs, producers, consumers and small investors (see [www.fairshares.coop](http://www.fairshares.coop)).

His research has been published in: *Human Relations*; *Corporate Governance: An International Review*; *Industrial Relations Journal (IRJ)*; *International Journal of Entrepreneurial Behaviour and Research (IJEBR)*; *Social Enterprise Journal*; *Journal of Cooperative Studies*; *Econviews: Review of Contemporary Business, Entrepreneurship and Economics Issues*; *Journal of Organisational Transformation and Social Change*, and *Action Research*. He has received 'best paper' awards from Emerald Publishing, the Institute of Small Business and Entrepreneurship (ISBE) and the International Social Innovation Research Conference (ISIRC). Rory maintains connections to practice through directorships with Social Enterprise Europe Ltd and FairShares Association Ltd, and acting as an expert for ICA Working Groups and the British Council.

## **PRESENTATION SYNOPSIS**

This presentation re-examines arguments advanced in Chapter 2 of *Understanding Social Enterprise: Theory and Practice (2nd Edition)* that the social solidarity economy (SSE) is linked to the development of cooperative and mutual enterprises (CMEs). In business education, arguments about economic development have been dominated by the perceived duality between public (state) and private (market-based) systems of ownership and control. The rise of social enterprise is presented as a 'third system' that provides a distinct alternative, and the nuances in the differences between organisations based on mutual principles and charitable action are made more explicit to develop an argument that there is both a 'third' and 'fourth' type of property. Each property type is organised and regulated in different ways according to the motives that underpin human action. By understanding how these motivations are linked to different forms of enterprising activity, the case for a paradigm shift in business education is made that renders cooperative and mutual enterprises visible.

Instead of looking at the landscape of business education by counter-posing neo-liberalism (private markets) against altruistic expressions of communitarianism (charities and the state), the axis can be

changed to one that presents a continuum from social liberalism to pragmatic communitarianism. This changed perspective renders trade unions, community associations, cooperative businesses, mutual societies and community-owned enterprises visible in a broad spectrum of member-controlled/democratically governed social enterprises. CMEs sit at the centre of this spectrum by acting as the bridge between trade unions at one end and community enterprises at the other.

## PRESENTATION

Keynote to:

Social Innovation and Entrepreneurship Research Conference  
(SIERC), Massey University

12<sup>th</sup> February 2016

**Rendering the social solidarity economy: exploring the case for a paradigm shift in the visibility of cooperative and mutual enterprises in business education, research and policy-making**

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**Sheffield  
Hallam  
University** | Sheffield  
Business  
School



Rory Ridley-Duff and Mike Bull, 2015  
Adapted by Rory Ridley-Duff, 2016

## Outline of the Paper / Presentation

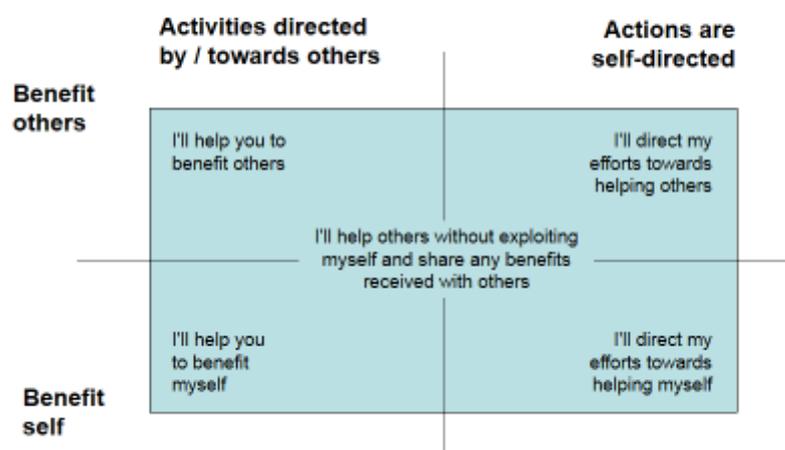
- **Research Question:**

"How can the emergence of social enterprises be rendered in a way that makes their scale, diversity and impact more visible?"

- **Response set out in four parts:**

1. Link motivations to act to Polanyi's (2001, [1944]) theory of economic systems and Dreu and Boles (1998) theory on social value orientation. This draws out **two axes of thought**.
2. Link the third bottom line (Elkington, 2004) to sustainable development using research into 'institutions of collective action' (Ostrom, 1990, 2009).
3. Examine evidence that a 'desirable discourse' rooted in *social liberalism* and *pragmatic communitarianism* is forming.
4. Re-evaluate claims made during the *2012 UN International Year of Co-operatives* to set out the case for a paradigm shift in business education, research and policy-making.

## Back to basics: some philosophical assumptions



## These attitudes influence our enterprises

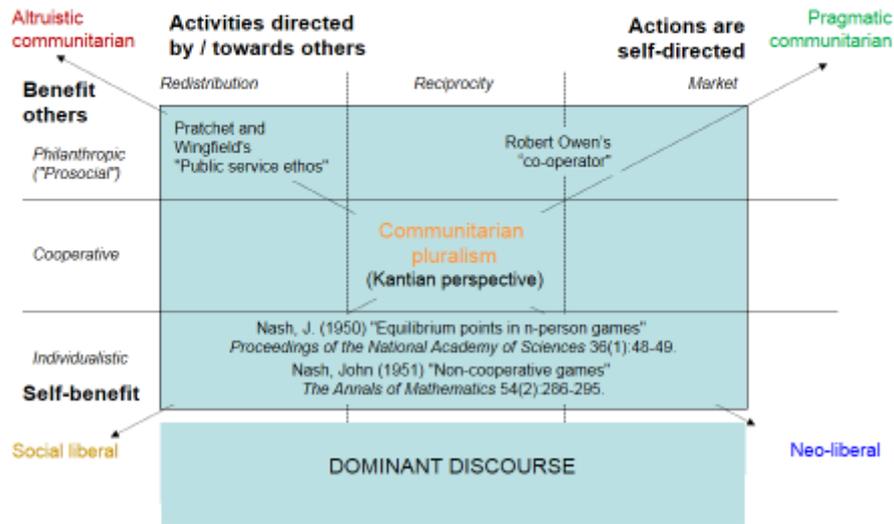
	Activities directed by / towards others		Actions are self-directed
<b>Benefit others</b>	Public service		Social entrepreneurship
		Co-operative & mutual enterprise	
<b>Benefit self</b>	Community action		Private enterprise

## Some basics of: socio-economics

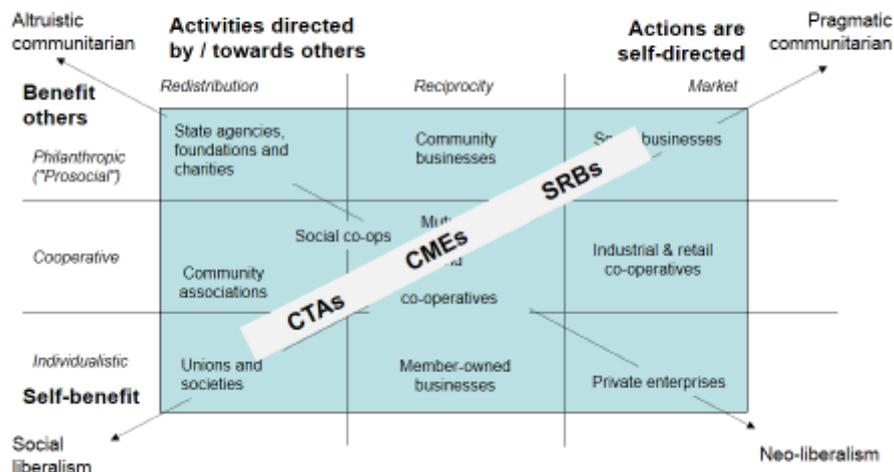
	Activities directed by / towards others		Actions are self-directed
<b>Benefit others</b>	<i>Redistribution</i>	<i>Reciprocity</i>	<i>Market</i>
<i>Philanthropic ("Prosocial")</i>	Public service		Social entrepreneurship
<i>Cooperative</i>		Co-operative & mutual enterprise	
<i>Individualistic</i>	Community action		Private enterprise
<b>Benefit self</b>			

Dreu, C. and Boles, T. (1998) "Share and share alike or winner take all?", *Organization Behavior and Human Decision Decision Processes*, 76(3): 253-276

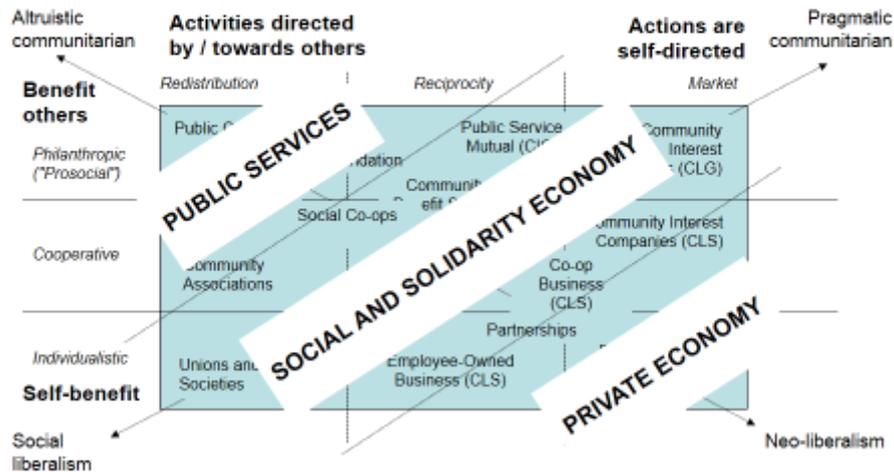
## Let's consider underlying philosophies



## Analysing: types of organisations



## Analysing: economic sectors



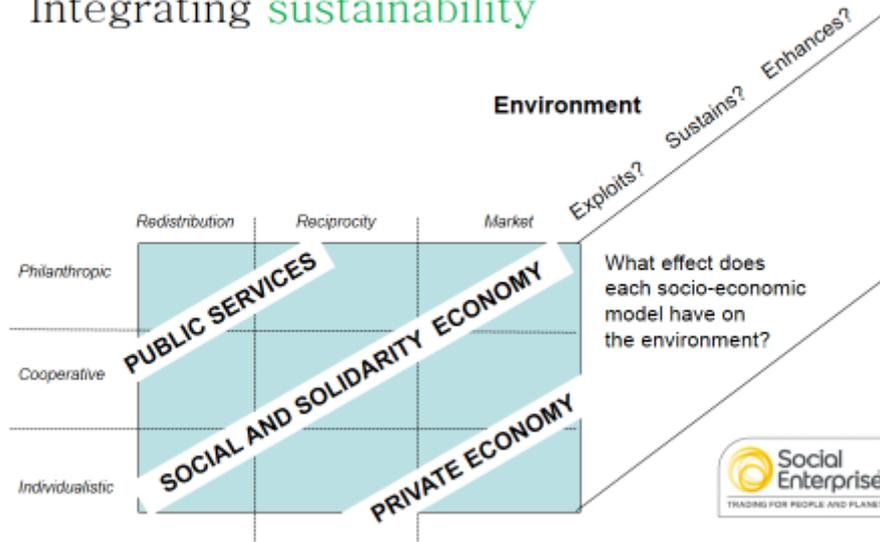
## Analysing: economic sectors

**Table 1 - Dominant discourse influence on options for economic development**

**Choice presented:** Altruistic Communitarianism v Neo-Liberalism

Exchange Type	Redistribution	Reciprocity	Market
<b>Enterprise approach</b>	Public sector Fundraising Charities Non-Profit Orgs	Co-operative Sector Civil Society (CMEs)	Private Businesses Trading Charities (CTAs and SRBs)
<b>Legal forms</b>	Statutory / State Bodies Charitable Foundations and Trusts.	Co-operative Businesses Social Co-operatives Mutual Societies Associations	Companies / Corporations Partnerships Self-Employment

## Integrating sustainability



## Analysing: economic sectors

**Table 2 - Desirable discourse influence on options for economic development**

**Choice presented:** Social Liberalism v Pragmatic Communitarianism

Exchange Type	Redistribution	Reciprocity	Market
<b>Enterprise approach</b>	Unions, Societies and Associations (CTAs)	Co-operative and Mutual Enterprises (CMEs)	Social / Responsible Businesses (SRBs)
<b>Legal forms</b>	Unions and Societies Community Associations	Social Co-operatives Community Benefit Societies Co-operative Societies Mutual Financial Institutions Public Service Mutuals Employee-Owned Businesses Co-operative Partnerships	Social Purpose Businesses (e.g. B-Corps) Community Interest Companies (CLG / CLS) Industrial Co-operatives Co-operative Retail Societies

## Identifying property in the social solidarity economy

### **Four types of property** (Ostrom et al., 1999):

- Open access (no regulated control)
- **Local group property (group rights, can exclude others)**
- Individual property (individual or firm rights, can exclude others)
- Government property (state regulation and/or subsidy)

Until the late 1990s, discourse on property was dominated by Hardin's (1968) paper on the 'tragedy of the commons' which argued for state / private control of *common pool resources*.

Ostrom et al. (1999) rejected Hardin's theory on the basis that 'local group owners' who depend on common pool resources manage them in ways that are more sustainable and sensitive to local needs.

- **Key Point:** *Local group property (mutual / cooperative) is distinct from open, private and public forms of ownership.*

## Responses to the 'tragedy of the commons'

- Ostrom's research team used satellite imagery of Mongolia (group control), Russia (state control) and China (state, then private control) to show there is markedly *less* land degradation under **group control**.
  - Mongolia (10% degraded), Russia (75%), China (33%).
- Identified thousands of cases (from decades of case study work) in Nobel Prize acceptance speech to link local democratic control to sustainable development.

Ostrom, E. (1990) *Governing the Commons. The Evolution of Institutions for Collective Action*. Cambridge: Cambridge University Press.

Ostrom et al. (1999) 'Revisiting the Commons: Local Lessons, Global Challenges', *Science*, 284: 278-282

Ostrom, E. (2009) '[Beyond markets and states: polycentric governance of complex economic systems](#)', Acceptance speech for Nobel Prize in Economics

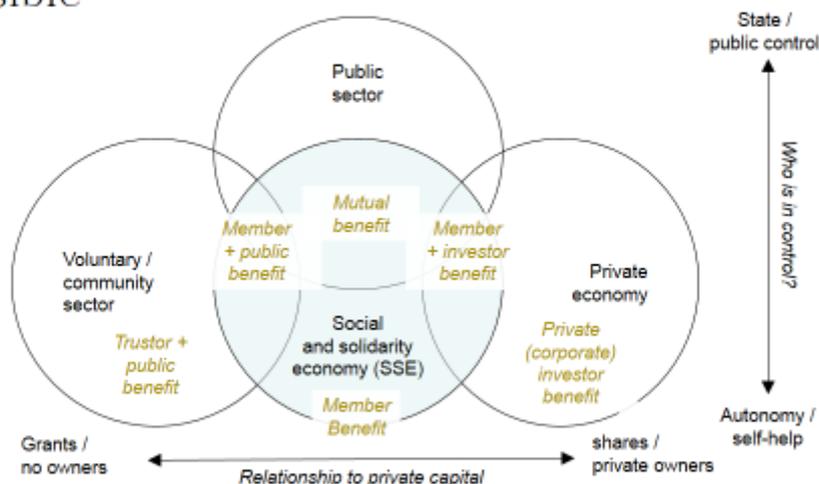
## Responses to the ‘tragedy’

- Design principles for the *sustainable development* of common pool resources based on group-ownership of property.

(Ostrom, 1990, p. 186)

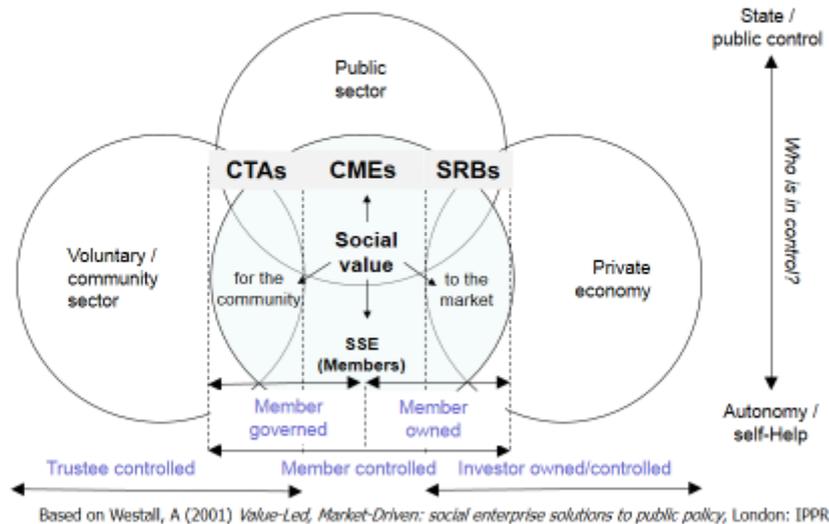
- **Principle 1** – clear definitions of the resource and the resource users (members responsible for creating and appropriating a shared resource).
- **Principle 2** – ensure that appropriator rights (rights to use) are proportional to provider obligations (labour, materials and money necessary to sustain the resource).
- **Principle 3** – local appropriation rules / rights are decided, partially or wholly, by those with rights of appropriation.
- **Principle 4** - User / resource monitoring is subject to the principles of democratic accountability (officials who monitor use report findings to users of the resource).
- **Principle 5** – low cost conflict resolution systems in which sanctions are graduated with clear links to the extent of resource / rule violation.

## Making group ownership / property visible



Based on Westall, A (2001) *Value-Led, Market-Driven: social enterprise solutions to public policy*, London: IPPR

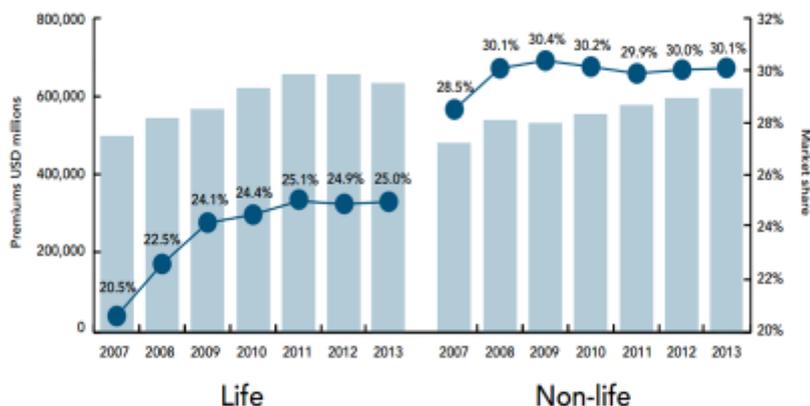
## Beyond three sectors: control rights



## Evidence of a paradigm shift

- Employment:** 4 fold increase in CMEs across the EU (3.7m in 2004, 16m in 2014). Estimate for global CME employment increased from 100m (in 2008) to 250m (in 2014). CMEs now account for 21.2% of jobs in China.  
 (Avila and Campos, 2006; Roelants et. al., 2014)
- Fair trade:** 2013 *revenues* rose 43% for 'small producer organisations' (SPOs) to €882m but were flat for 'hired labour organisations' (HLOs) at €91m, while *premiums* rose 52% for SPOs, but fell 3% in HLOs.  
 (Fairtrade International, 2013).
- Crowdfunding (at time of writing):** Kiva (1,385,782 lenders lent \$812m) Kickstarter (10.2 million contributed \$2.19 tr to 99,856 projects), Indiegogo (150,000 projects supported), Funding Circle (over \$1 bn lent by 43,000 people), Zopa (\$1.28 bn lent by 63,000 people) are growing exponentially.
- Intellectual Property (IP):** 1.1 bn items of Creative Commons IP, growing at 761,643 item *per day* in 2015. 2 million people are funding Wikipedia.
- Mutual Financial Institutions:** premiums risen year on year since 2007 (grown from 23.8% to 27.3% of the global market).

## Evidence of a paradigm shift



- 915 million people get financial products from CMEs (ICMIF, 2013)
- Almost 60% of working people 'secure their livelihood' through the work of CMEs (UN, 1994, ILO, 2001, Coops UK, 2011).

## Implications and Conclusions

- **In 2012**, at the UN, the global institutions of CMEs claimed that 59% of people in work 'secured their livelihood' through the co-operative economy (about 3 million people today).
- If 915 million people get life insurance from CMEs (and this covers families, not just single people), then CMEs may protect close to 3 million people.
- If we add in the evidence that the four fastest growing economies amongst the OECD - China, India, South Korea, Turkey - are also economies with the highest % of people working in CMEs...
- If we add in the evidence that a new breed of crowd funding / investing institutions deploying Ostrom's design principles (e.g. Zopa, Funding Circles, Kickstarter, Indiegogo, Kiva) are growing far more rapidly than other (social) financial institutions....
- If we add in the evidence that over a billion items of IP have been issued under Creative Commons, and that billions of people routinely use OpenSource software ...
- **The claims made at the UN in 2012 by the ICA look more credible than they did at the time.**

## Implications and Conclusions

- Within our lifetime, the choice may not be between **altruistic communitarianism** (charity + state aid) and **neo-liberalism** (market-driven private enterprise)...
- ...it may soon become a choice between **social liberalism** (in associations, societies and unions) and **pragmatic communitarianism** (in employee-owned, mutual, cooperative and social businesses).
- Is it time to accept the case for a paradigm shift in the visibility of co-operative and mutual enterprises in business education, research and policy-making?
- **I submit that it is.**

## *Thank you*

- Contact: [r.ridley-duff@shu.ac.uk](mailto:r.ridley-duff@shu.ac.uk)  
(References can be found in the paper that will be published with the conference proceedings)
- This presentation was based on lecture slides that accompany Chapter 1 of:
  - Ridley-Duff, R. and Bull, M. (2016) *Understanding Social Enterprise: Theory and Practice*, 2<sup>nd</sup> edn, London: Sage Publications)

# PRESENTATION PAPER

## Abstract

Theories of business are still dominated by a choice between social responsibility (altruistic communitarianism) and private business (neo-liberalism). From the start of the 1990s, this hegemony has been disrupted by research on voluntary action and social enterprise. By philosophically grounding the logics of three approaches to social enterprise, this paper explores evidence of a paradigm shift. The conclusion is drawn that there is no longer a defensible justification for rendering the social solidarity economy as a marginal choice between altruistic communitarianism and neo-liberalism. There is now a broad-based economy of unions, societies, associations (CTAs), co-operatives, mutual financial institutions, employee-owned businesses (CMEs) and socially responsible businesses (SRBs) supporting more than half the world's population. Business education needs to be reframed as a new choice between social liberalism and pragmatic communitarianism informed by 'new co-operativism' that draws extensively on theories of co-operation and mutual aid in member-controlled enterprises.

## Keywords

social enterprise, co-operatives, mutuals, solidarity, social economy, philosophy, paradigm

## INTRODUCTION

This paper seeks to narrate the case for, and then critique, a paradigm shift in the rendering of the social solidarity economy (SSE) in business education, policy development and research. It is based on an exploration of lecture slides published with the 2nd edition of *Understanding Social Enterprise: Theory and Practice* (Ridley-Duff and Bull, 2016) to ask the question 'how can the emergence of social enterprises be rendered in a way that makes their scale, diversity and impact more visible?' Material is included in the slides that goes beyond its companion text to render the SSE as a broad movement of charitable trading activities (CTAs), co-operative and mutual enterprises (CMEs) and socially responsible businesses (SRBs) that are receptive to arguments for sustainable development (Ostrom, 1990; Ostrom, et al., 1999).

As the slides express a narrative that is implicit rather than explicit, this paper aims to fill a gap by making its underlying logics more explicit. Particular attention is paid to an argument that there are dominant and desirable discourses guiding the field of social enterprise studies that operate in different paradigms. The dominant discourse is presented as an axis in which the key choices range from altruistic communitarianism to market-based neo-liberalism. This discourse presents social enterprise as a thin wedge of options squeezed between the primary choice of public-charitable provision or private-market provision. The desirable discourse, on the other hand, is presented as an axis ranging from social liberalism to pragmatic communitarianism. On this axis lie many member-driven approaches to social entrepreneurial action that have developed a measure of independence from state, charity and market institutions. The identification of these approaches is part of ongoing work amongst EMES researchers to map social enterprise models worldwide (Defourny, 2015).

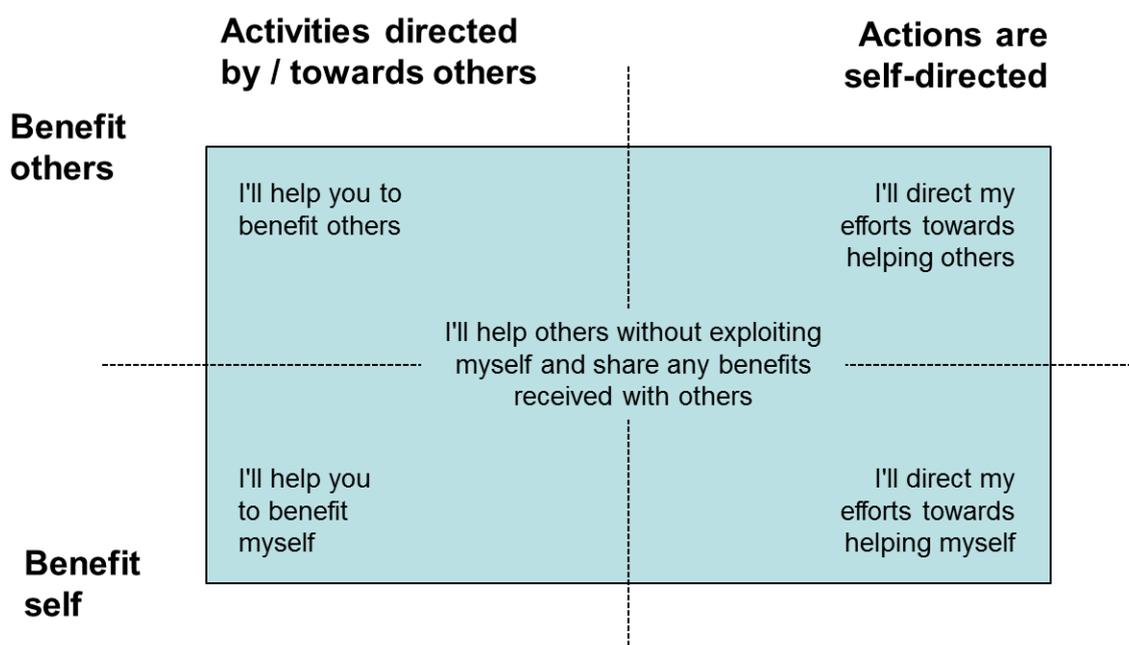
The identification of a desirable discourse underpinned by a philosophical commitment to social solidarity is – in effect – an argument that a paradigm shift is occurring (Kuhn, 1970; Sahakian & Dunand, 2014). This paper contributes to knowledge by setting out both the philosophical grounds and early evidence to test this thesis. The paper is divided into four sections. In the first section, images from the lecture slides - and their links to meta-theories of economic exchange and social orientation - are set out to show how they link to meta-theories of economic and social exchange (Polanyi, 2001 [1944]; Dreu & Boles, 1998). In

the second section, the characteristics of enterprises associated with sustainable development are discussed to establish the ‘triple-bottom line’ (Elkington, 2004) and the contribution of CMEs to its advancement. The third section is a more polemical argument for a paradigm shift in the rendering of the social solidarity economy based on new evidence. A new rendering makes its breadth, depth and scale more visible to enterprise educators, policy makers and researchers. This argument is made on the basis that a huge variety of organisations connecting billions of people across the world are not adequately represented in the philosophy and educational curricula of business courses. In the final section, I sum up the contribution of the paper as a more nuanced grounding for business studies. This philosophical grounding enables enterprise educators, policy makers and researchers to identify clusters of enterprises that support and oppose different institutional logics. This being the case, it offers a framework to reflexively explore both public policies and educational practices that accelerate the process of change to a more desirable discourse (Darwin, et al., 2002).

### THE CASE FOR STUDYING THE PHILOSOPHIES OF SOCIAL ENTERPRISE

Every enterprise that self-defines (or is defined by others) as a social enterprise continually engages in a debate about definition that influences educational agendas, economic assumptions and social policy. Social enterprise advisers in consultancies and infrastructure bodies, and the social entrepreneurs who engage them, will be faced regularly with questions as to whether an individual or organisation qualifies for social enterprise support. Every law to regulate social enterprise, every kite mark developed to promote it, every strategy devised to support it, also requires engagement with criteria that will influence the legitimacy accorded to individuals, organisations and institutions. The definition of a social enterprise, therefore, is not an abstract intellectual exercise: it is a dynamic process unfolding on a daily basis as people apply their beliefs and develop their identities in the context of practice.

**Figure 1 – A matrix of philosophies of action**



In the first instance, the slides offer a simple matrix with two axes. In Ridley-Duff’s (2005) work on variations of individualism and communitarianism in social enterprise governance, a distinction is made between the person who direct actions and the beneficiary of the actions that are directed (see Figure 1). Individualist philosophy can vary between the presumed self-interest that underpins entrepreneurial action <“I’ll direct my effort towards helping myself”> and the willingness of self-interested individuals to

join together and engage in collective action for self-benefit <“I’ll help you to benefit myself”> (Smith, 1937 [1776]; Coase, 1937; Parnell, 2011). Whilst contemporary culture is replete with images of aggressive entrepreneurship (in popular programmes like *Dragon’s Den* and *The Apprentice*), Parnell – the former CEO of the Plunkett Foundation – contends that action directed by self-interest is deeply embedded across society:

An important feature of the co-operative approach is its acceptance of people [who are] largely driven by self-interest. It also acknowledges that most people are unlikely to modify their self-centred behaviour without a sufficient incentive to do so [...]. Co operation recognises that self-centred behaviour can be moderated when a more enlightened form of self-interest takes account of the wider mutual interest. In short, it provides the means to increased individual benefits, while at the same time providing mutual benefits. (Parnell, 2011, p. 8)

For Parnell, collectivism is not always motivated by altruistic intent (even if altruism is the *outcome*). Instead, collective action – and the desire to work with others co-operatively – can still be motivated by the desire for individualised benefits. Examples of this can be found in trade unionism and mutual insurance schemes where individuals join to protect themselves but concurrently protect others through the regular subscription of financial capital and acts of social solidarity.

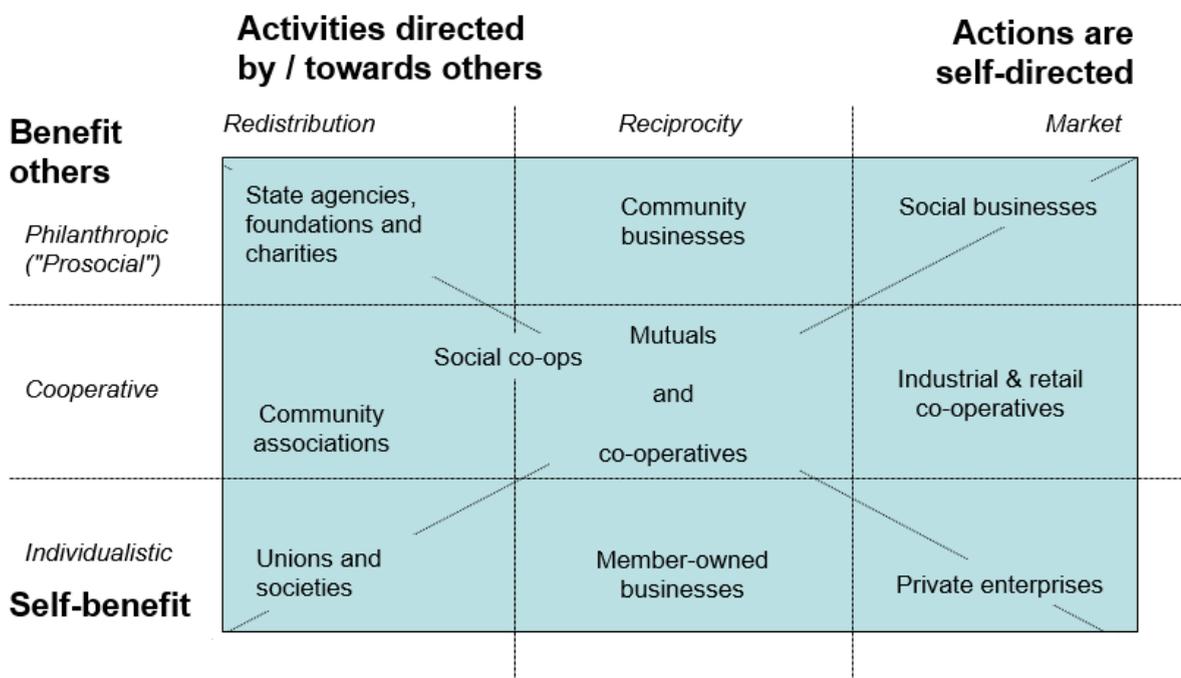
On altruistic action (i.e. actions that are motivated by a deliberate intent to help others, not the self) there is a range of underpinning logics from entrepreneurial self-directed action <I’ll direct my efforts towards helping others> to working under the direction of an institution or authority (such a charity or public body) seeking to create a public benefit <I’ll help you to benefit others>. However, the main argument here is that only a minority of people exist at the end point of these axes. The long-term trajectory and direction of equity theory (Huseman et al, 1987; Kilbourne and O’Leary-Kelly, 1994) leads to organisation design principles based on communitarian pluralism (Ridley-Duff, 2005; Chadwick-Coule, 2011; SHU, 2014). These both posit that people prefer balanced benefits in which neither individuals nor social groups are over or under compensated for their efforts <I’ll help others without exploiting myself, and share any benefits received with others>.

In the slides that follow, the theoretical underpinnings of these positions are set out in more detail. The first dimension is theorised using Polanyi’s work on the economics of redistribution, reciprocity and market exchange (Polanyi, 2001 [1944]; Nyssens, 2006; Roy, 2015). *Redistributive* actions seek to move resources from one setting to another in accordance with pre-agreed political and social priorities. This logic is used by public authorities and charities that raise funds (taxes) from one source and redistribute them to others who create public goods / services. *Reciprocity*, on the other hand, is grounded in the logic of mutual aid, whereby equitable contributions to, and drawings from, mutual funds generate both individual and collective benefits (Ostrom, et al., 1999; Restakis, 2010). In this case, action is focused on securing reciprocal exchanges and cultivating a willingness amongst people with familial, kinship or community ties to proactively support each other’s well-being. The last type of economic exchange is through the *market*. Exchange is still the goal, but the mediating mechanism is no longer kinship, community ties or personal bonds. It is replaced by depersonalised system of market exchange within institutions that support commodity production and market pricing. In the market, buying and selling goods is mediated by transaction costs that are inflated by a desire to profit from the exchange and/or minimise losses (Coase, 1937).

The second axis is theorised using works on social value orientation (the propensity and inclination of a person to help others). The concepts deployed here are drawn from works that explore altruism rather than modes of economic exchange (Dreu & Boles, 1998). The concepts distinguish a person who is individualistic (ego-centric), co-operative or philanthropic (pro-social). The term ‘individualistic’ is applied to a person who thinks only of their own benefit (ego-centric), whereas the term ‘philanthropic’ is applied to a person who thinks only of the benefit to others (pro-social). In the case of co-operative behaviour, the

aim is to share benefits, not keep them all to oneself or give them all away. The combination of these economic and social beliefs give rise to a much broader spectrum of enterprise possibilities than a simple choice between public and private (Figure 2).

**Figure 2 – The impact of philosophies of action on enterprise formation**



It is possible to link many of these action orientations to trajectories in social enterprise. For example, within the UK, the term ‘social enterprise’ initially gained its strongest foothold within the co-operative movement and community regeneration sector (Teasdale, 2012; Ridley-Duff and Southcombe, 2012), particularly in relation to the building of a broad movement of employee-owned businesses and philanthropically-minded community benefit societies funded by community share issues (Brown, 2004; 2006). These sit at two of the intersections of Figure 2 (*co-operative reciprocity and philanthropic reciprocity*). By late 1997, a coalition of co-operatives and co-operative development agencies had formed Social Enterprise London to support participative enterprise and develop commonly-owned resources. As regional links developed, a national body – the **Social Enterprise Coalition (SEC)** – was created to lobby for co-operatives, social firms, trading charities, community and employee-owned enterprises.

At the end of the 1990s, the Social Exclusion Unit was formed by Tony Blair’s **New Labour** government. This body produced a strategy for ‘neighbourhood renewal’ in which ‘social enterprise’ was used to describe community businesses and trading charities oriented towards the needs of socially excluded groups (Westall, 2001). As time passed, and particularly after a UK government consultation involving charities and voluntary groups, the CME origins of the social enterprise movement in the UK became obscured by a strengthening (US-dominated) discourse on ‘earned income’ and ‘innovation’ in charities and public services. This gradual move from *philanthropic redistribution* towards *philanthropic reciprocity*, and then *philanthropic market-action*, is found in the earliest UK research (Amin, et al., 1999; Westall, 2001). Both explored the possibilities for regeneration, neighbourhood renewal and the rebuilding of marginalised communities to inform government initiatives such as the Phoenix Fund.

The effect of this was to raise the profile of ‘social businesses’ as an option that is supportive of local entrepreneurship backed by - in the short term at least - *philanthropic action* by government in collaboration with private charitable foundations (Ridley-Duff & Southcombe, 2012; Teasdale, 2012;

Somers, 2013). The longer-term effects are evidenced today by new legal forms that institutionalise new commitments to market-action with a social purpose, or trading firms that use market-action to generate and reinvest philanthropic capital (Yunus, 2007). In addition to foundations directly owing a large number of social enterprise subsidiaries (e.g. BRAC in Bangladesh), a plethora of legal forms have been created to support this approach: Low-Profit (L3C) and Benefit Corporations (B-Corps) in the US, Community Interest Companies (CICs) and Charitable Incorporated Organisations (CIOs) in the UK, Certified Non-Profits and Social Welfare Corporations in Japan and the spread of social-purpose enterprise laws across EU nation states (Defourny, 2015; Ridley-Duff & Bull, 2016, pp. 323, Table 11.2).

US-style 'social purpose enterprises' have strong links with philanthropy, whereby money raised from wealthy individuals (and increasingly market institutions) or government-backed schemes helps to support non-profit organisations acting in the *public interest* (Dees, 1998). This combination of philanthropic intent and entrepreneurial action is evident in definitional work at Stanford Institute:

The social entrepreneur's value proposition targets an underserved, neglected, or highly disadvantaged population that lacks the financial means or political clout to achieve the transformative benefit on its own. (Martin and Osberg, 2007, p. 35)

The emphasis is on solutions brought to the poor by an individual or enterprise designed to fulfil a *social purpose*. There is a partial departure from philanthropy, however, in attempts to design systems that enable philanthropists to recycle their social investments again and again (Yunus, 2007). Social investment institutions are designed to enable investors to recover any loans/equity invested, but still with the expectation that they will reinvest any returns in new projects that create social impact (Nicholls, 2010).

Teasdale (2012) has also tracked changes in social enterprise discourse over the period 1999 to 2011, and frames the period 2002–2006 as one in which there was a transition away from a co-operative and philanthropic reciprocity towards one based on philanthropic market-action by gifting proceeds from private businesses to a charitable foundation or association. The impact of this changing philosophy is captured in the policy work of Birch and Whittam's (2008):

This conceptualization makes social enterprise distinct from the common definition used by the Department of Trade and Industry (DTI), which covers an array of different organizations with distinct and sometimes disparate objectives (e.g. charity and workers cooperative) ... Therefore, it is more useful to argue that social enterprise concerns the pursuit of particular activities rather than representing certain social forms (e.g. cooperatives, democratically run organizations) with the aim of producing collective benefits ... (Birch and Whittam, 2007, pp. 439–44)

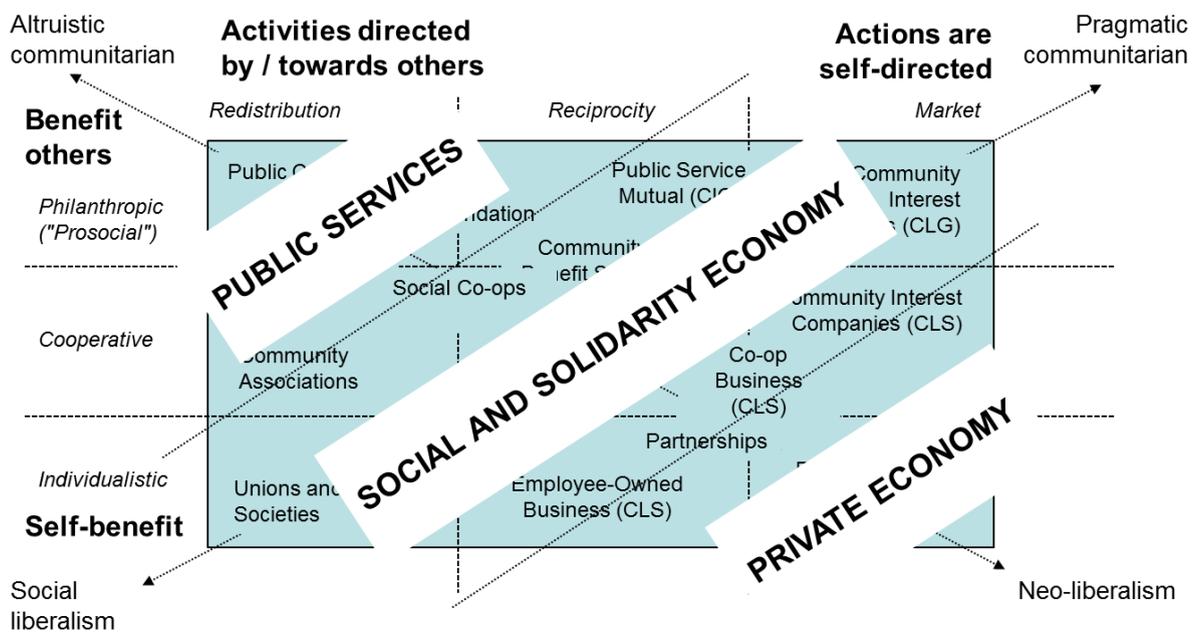
A possible incentive for framing social enterprise as an activity is that it suits those who want to preserve systems of private enterprise and entrepreneurship, but link them directly (through new ownership structures) to corporate and venture philanthropy (Nicholls, 2010). This drift to SRBs, however, is resisted in EU conceptualisations of a solidarity economy rooted in the growth of social co-operatives that prioritise *co-operative redistribution* and trade unions that secure *individualised redistribution* (through joint campaigns to build social solidarity). These are still rooted in self-help co-operative principles derived from secular and Christian socialist traditions (Amin et al., 2002). Characteristic of the EU model is a growing emphasis on including multiple stakeholders in governance systems that enable workforce members and service users to participate in decisions about the design of working practices, goods and services (Moreau and Mertens, 2013). This 'socialised enterprise' approach can also accommodate the intersection of individualistic intent and *reciprocal* action. Employee-owned and solidarity enterprises are developing across a range of industries, with strong growth in health, social care, engineering, retailing and work integration (Connaty, 2014; Borzaga & Depedri, 2014; EOA, 2014). These new CMEs depart from the discourse of US-style solo entrepreneurial action as well as the co-operative discourse based on

single-stakeholder membership. Instead, they argue that common bonds can be built through solidarity between interest groups, not just within them, through mutual action to develop a community of interest (Vieta, 2010; Lund, 2011; Ridley-Duff, 2015).

**Switching the axis: rendering a new paradigm**

At this point, it is worth revisiting the research question ‘how can the emergence of social enterprise be rendered in a way that makes its scale, diversity and impact more visible?’ While the empirical evidence that supports the argument for a paradigm shift will be made in more detail later, it is at this point in the slides that the shift in paradigm is identified. The dominant paradigm is one that sees the world through a lens that runs from the top-left of Figure 3 to the bottom-right (showing a choice between a public service orientation, social solidarity economy and a private economy). Public services and charitable foundations are framed as altruistic communitarian institutions that provide welfare. There is a small - but highly limited - space for co-operatives and mutuals, based on self-help principles of reciprocity. Lastly, there is the private economy fashioned for the benefit of entrepreneurs who wish to pursue their own self-interest.

**Figure 3 - Identifying a paradigm shift that makes social solidarity visible**



If we draw out this cross-section of Figure 3, it looks as if the options for economic development are those shown in Table 1, with redistribution led by the public sector in collaboration with charities and non-profit organisations (NPOs), reciprocity facilitated by co-operative businesses, social co-operatives and mutual societies, and market approaches adopted by private companies, partnerships and self-employed individuals.

Framing the discourse in terms of a choice between *altruistic communitarianism* and *neo-liberal markets* (Table 1) squeezes the social solidarity economy into a small (political and institutional) space with the state and charities leading the task of redistributing resources while private businesses generate them through their desire to profit from market exchange.

**Table 1 - Dominant discourse influence on options for economic development**

Exchange Type	Redistribution	Reciprocity	Market
Enterprise approach	Public sector Fundraising Charities Non-Profit Orgs	Co-operative Sector Civil Society (CMEs)	Private Businesses Trading Charities (CTAs and SRBs)
Legal forms	Statutory / State Bodies Charitable Foundations and Trusts.	Co-operative Businesses Social Co-operatives Mutual Societies	Companies / Corporations Partnerships Self-Employment

However, if the axis is switched to one that sees the world through a lens that runs from the bottom-left of Figure 3 to the top-right (showing a choice between voluntary associations, unions and societies, co-operative and mutual enterprises, and socially responsible businesses operating in market contexts), the world looks as if there is a much wide diversity of member-controlled and member-owned institutions that can collectively handle redistribution, reciprocal relations and market transactions (see Table 2).

**Table 2 - Desirable discourse influence on options for economic development**

Exchange Type	Redistribution	Reciprocity	Market
Enterprise approach	Unions, Societies and Associations (CTAs)	Co-operative and Mutual Enterprises (CMEs)	Social / Responsible Businesses (SRBs)
Legal forms	Unions and Societies Community Associations	Social Co-operatives Community Benefit Societies Co-operative Societies Mutual Financial Institutions Public Service Mutuals Employee-Owned Businesses Co-operative Partnerships	Social Purpose Businesses (e.g. B- Corps) Community Interest Companies (CLG / CLS) Industrial Co-operatives Co-operative Retail Societies

Voluntary associations, trade unions and societies are framed as socially liberal institutions that involve large numbers of people who campaign to secure political rights and welfare changes that redistribute power. There is now a much broader political and social space for forms of co-operation and mutual association (social co-operatives, co operative societies, community benefit societies, co-operative partnerships, employee-owned businesses, public service mutuals) who commit to the self-help member-ownership principles of the social economy. The institutions of the public and private sector are not excluded, but from this perspective they are conducive to neither social liberalism nor pragmatic communitarianism. They have a supporting, not a leading role. This paradigm shift makes visible the full breadth and range of the alternative economy (Parker et al., 2014).

To sum up this section, I have identified a range of motivations for taking actions that are rooted in desires to help oneself and/or others, and to self-direct actions and/or allow others to direct them. I have argued that the dominant discourse is one based on an axis of thought ranging from altruistic communitarianism through charity and public service to neo-liberalism based on private accumulation

through market trading. In this dichotomy, the principal choice is between the public and private spheres, in which there is a small space for outlier organisations practising reciprocity and mutuality. However, if we change the axis of thought to one that ranges from social liberalism to pragmatic communitarianism, a much larger array of member-driven and member-owned organisations come into view, all aligned with mutual principles, achieved by a wide range of social enterprises that exist primarily for-purpose, rather than for-profit. In the next section, the axis that represents an alternative economy is linked to arguments for sustainable development.

### **Adding Arguments for Sustainable Development**

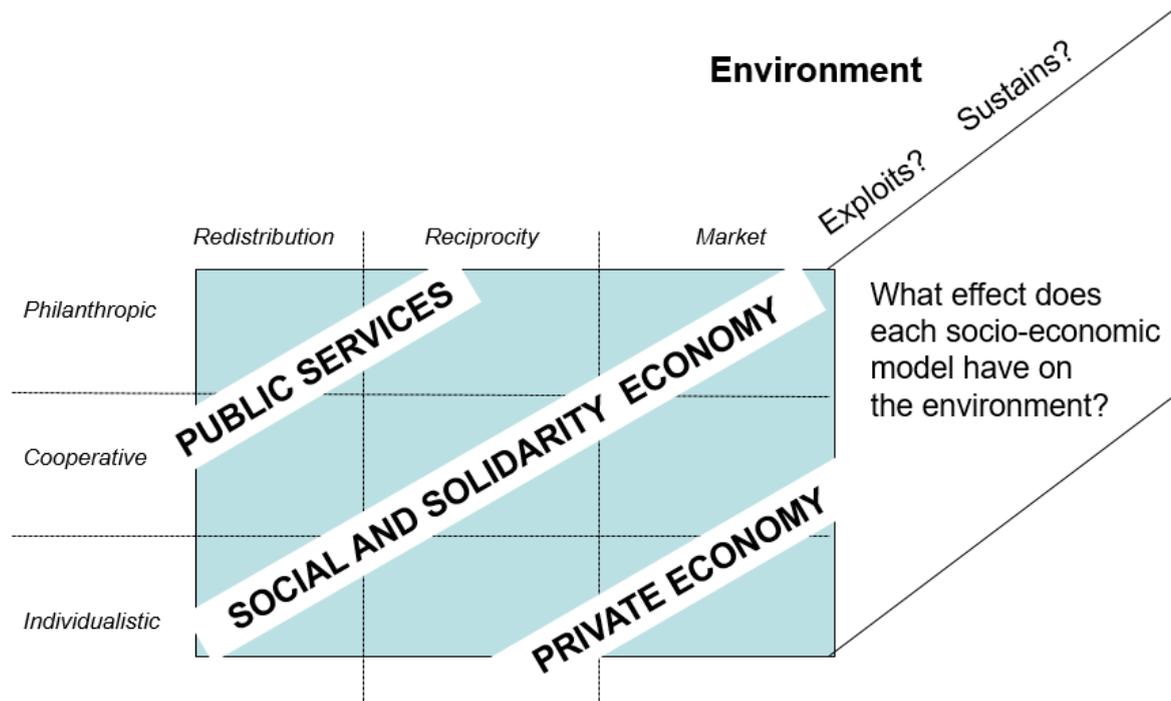
Ostrom et al. (1999) contended that there are *four* property systems at play within an economy. There are not just two (public, private) or three (public, private, third), but four based on the following types of ownership and control:

- open access (no regulated control)
- local group property (group rights, can exclude others)
- individual property (individual or firm rights, can exclude others)
- government property (state regulation and/or subsidy).

Forty years ago, political and economic discourses focused on only the public and private sectors. The rise of the third sector (as a concept) was helpful in elucidating that much of an economy is under the control of trustees rather than property owners. However, even this helpful advance did not distinguish property that has no identifiable owner (and is part of an indivisible commons, sometimes under the control of trustees) from property that is co-operatively owned and inclusively managed by *groups* of owners. Ostrom (2009) received a Nobel Prize for her work on the evolution of institutions that manage common pool resources through collective action. Her findings identify important limitations in Hardin's (1968) contention that there was a 'tragedy of the commons' that meant common pool resources had to be owned and managed by either private or state institutions to be sustainable. It overturns the orthodoxy established by Hardin's work on which the dominant discourse is based.

Ostrom rejects this thesis on the basis of findings that group ownership (largely ignored in Hardin's argument) is the form of property *most strongly correlated with sustainable development* (Bruntland, 1987; Ostrom et al. 1999). This is a view (see Figure 3) that also underpinned the earliest arguments for social enterprise in the 1970s (Ridley-Duff and Bull, 2014), ably captured in Westall's (2001) discussion of a 'fourth space' for social value creation. Westall contributes to our understanding of Ostrom's argument by clarifying that member ownership and control is distinct and different from 'no ownership' (trusteeship), 'private ownership' (by individuals and firms) and 'public ownership' (by state authorities). It sets up a critique of three sector models of the economy and makes it possible to discuss both 'new co-operativism' and the specific proposition of a 'social solidarity economy' (Vieta, 2010; Sahakian and Dunand, 2014).

**Figure 4 – The link between social solidarity and sustainable development**



In Ostrom’s Nobel Prize acceptance speech, she outlines how thousands of cases led her research colleagues toward principles that underpin sustainable management of common pool resources by local member-controlled organisations. The initial five principles (see below) were published in 1990, and three more were added over the next two decades:

- **Principle 1** – clear definitions of the resource and the resource users (members responsible for creating and appropriating a shared resource).
- **Principle 2** – ensure that appropriator rights (rights to use) are proportional to provider obligations (labour, materials and money necessary to sustain the resource).
- **Principle 3** – local appropriation rules / rights are decided, partially or wholly, by those with rights of appropriation.
- **Principle 4** - User / resource monitoring is subject to the principles of democratic accountability (officials who monitor use report findings to users of the resource).
- **Principle 5** – low cost conflict resolution systems in which sanctions are graduated with clear links to the extent of resource / rule violation.

These principles set economics on a path back towards the logics of reciprocity, co-operative and mutual business models, but with a renewed recognition that different types of users can be bound together by democratic institutions that accommodate their interests. When based on the above institutional norms, Ostrom argues that performance against each bottom line (social, economic, environmental) becomes superior to both private corporations and state bodies. Numerous examples of land management, water irrigation and food production are offered by Ostrom to demonstrate that sustainable management of natural resources thrives under this approach to managing the commons (Ostrom, 2009).

## **THE EVIDENCE FOR A PARADIGM SHIFT**

It is one thing to assert that a paradigm shift is desirable, but quite another to evidence that it is occurring. Ostrom’s (1990, 2009) work alone is not sufficient to convince sceptical educators, researchers and policy makers that there is a large scale shift to an alternative axis of thought. To further this

argument, I draw on additional sources: firstly, contemporary global reports on the size and scale of the co-operative movement; secondly changes in the market share of co-operative and mutual financial institutions alongside the growth of new mutuals in the field of crowdfunding and investing; lastly, the rapid rise of a commons-based approach to sharing knowledge and intellectual property using the internet.

Avila and Campos (2006) published a report for the European Commission on employment in the social economy. In some EU countries, employment is dominated by associations (Belgium, Netherlands and the United Kingdom) while in others co-operatives and mutuals dominate (Italy, Spain and Poland). Across the EU as a whole, 36 per cent of social economy employment (3.7 million jobs) was provided by co-operatives and mutuals, while the remaining 64 per cent (7.4 million) was provided by associations (and charities). Their report highlighted that employment in the social economy was growing faster than in the private and public sectors (at 5–9 per cent a year) but that overall employment remained under 10 per cent across the whole economy (Avila and Campos, 2006: 109).

Table 3 suggests that this growth forecast for social economy employment has not only been sustained but could be accelerating. In CICOPA’s global report on co-operative employment, the much larger figure of 16 million jobs is estimated for Europe (Roelants et al., 2014). Has there been a four-fold increase across Europe between 2003 and 2013? Moreover, the 2010 global estimate of 100 million jobs has been revised upwards to 250 million following this new research by CICOPA (with 160 million now based in China). Four OECD countries with high GDP growth (China, India, South Korea and Turkey) now have more than 10 per cent of their populations working ‘within the scope of’ co-operatives. Only Italy among developed OECD nations has a similar rate of social economy employment (Italy – 10.9 per cent, Germany – 6.5 per cent, France – 5.9 per cent, UK – 1.4 per cent, US – 1.3 per cent) (Roelants et al., 2014: 31).

**Table 3 – Co-operative employment worldwide by continent and category**

Region	Employees	Worker-Members	Producer-Members	Total
Europe	4,627,953	1,231,102	10,132,252	15,991,207
Africa	1,467,914	237	5,715,212	7,183,363
Asia	7,734,113	8,200,505	204,749,940	220,684,558
Americas	1,762,797	1,409,608	3,048,249	6,220,654
Oceania	26,038	No data	34,592	60,630
	15,618,715	10,841,452	223,680,245	250,140,412

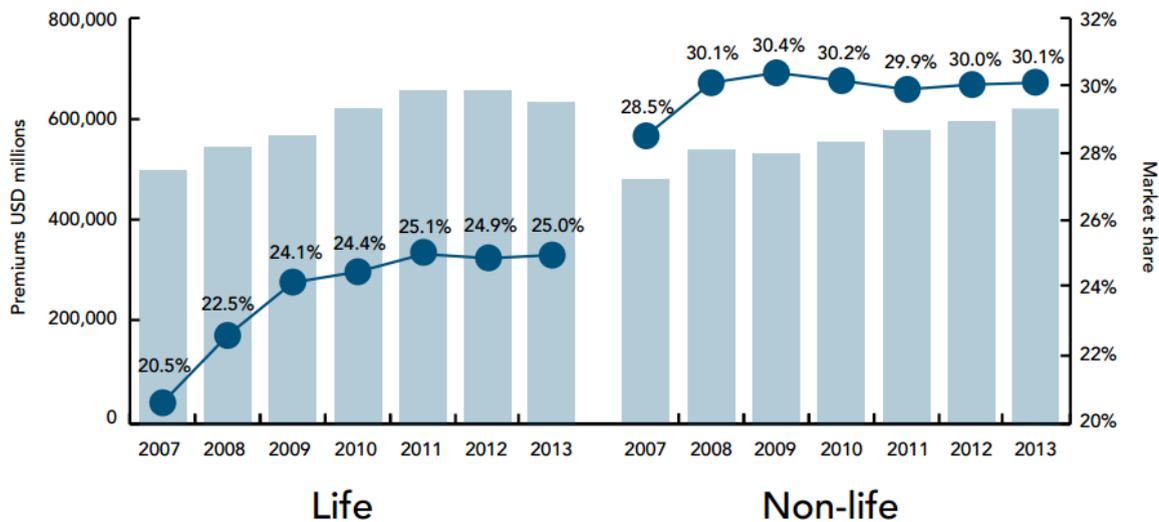
*Source:* B. Roelants, presentation to International Co-operative Summit, Quebec, 6 October 2014.

The above figures *exclude* associations and social enterprises that are not owned by a co-op or mutual.

Part of this rise can be linked to the popularity of fair trade amongst both producers and consumers. Lacey (2009) reports that 75% of fair trade produce is sourced from co-operatives, and notwithstanding the encroachment of multi-national corporations into industry accreditation bodies (Doherty, et al., 2013), there are still reports of extraordinary growth in ‘small producer organisations’ (SPOs) within fair trade networks (Fairtrade International, 2013). Sales by SPOs rose by 41% in 2012 to €822 million, with fairtrade premiums to SPOs rising by 52%. In contrast, fair trade sales by ‘hired labour organisations’ were unchanged at €91 million, and fair trade premiums to them fell by 3%. The trend towards mutual models of organising in this growing, global trading system is still clearly evidenced.

Secondly, despite demutualisations in the UK during the 1980s and 1990s, the global market share of co-operative and mutual financial organisations had continued to grow since the financial crisis in 2007. The ICMIF (2013) report gives details of a rise in market share from 23.0 per cent to 29.8 in Europe, from 28.7 per cent to 34.8 per cent in North America, and from 8.6 per cent to 11.2 per cent in Latin America. In Africa, there is low take up (but still growth from 1.2 to 2 per cent). Asia is the only region where market share fell from 20.7 to 19.6 per cent. Globally, CMEs market share rose from 23.8 to 27.3 per cent.

**Figure 5 – Worldwide mutual life and non-life premiums held in CMEs**



Alongside this growth at the ‘top end’ of the co-operative economy is the growth of micro-finance at the ‘bottom end’. Kiva.org provides an online platform for micro-finance providers. Starting in 2005, there are now 305 field partners enabling 1,375,985 lenders to provide \$800 million in loans to micro-businesses across the global<sup>1</sup>.

Kiva is not alone. Kickstarter first formed in 2002, and went live in 2009. By its fifth birthday, it has been supported by over 8 million people who have made more than 20 million pledges totalling \$1.56 billion towards 79,074 ‘creative projects’. Similarly, Indiegogo currently reports 15 million visitors *per month*, with 150,000 funded projects in 224 countries (Ridley-Duff & Bull, 2016). Both Indiegogo and Kickstarter mostly provide ‘rewards’ rather than ‘returns’ to funders, making the capital donated philanthropic in the sense that investors do not buy a financial stake or get a traditional financial return. But these systems are not confined to philanthropic engagement. Whilst writing this article, the Funding Circle website in the UK reported that 46,351 people had lent £1.05 billion to 12,000 businesses<sup>2</sup>, whilst Zopa UK reported that since 2005 they have helped 63,000 people lend more than £1.28 billion in peer-to-peer loans.<sup>3</sup>

Thirdly, there is switch to mutual models in the management of intellectual property. Creative Commons<sup>4</sup> is a global movement for licencing intellectual property (IP) in a way that gives, rather than denies, public access. Its 2015 *State of the Commons* report (Creative Commons Foundation, 2014) reported 1.1 billion items of IP have been licensed using its property system. In 2015, new licences were being requested at a rate of 761,643 *a day*. All of these items can be shared freely, and many (about 37

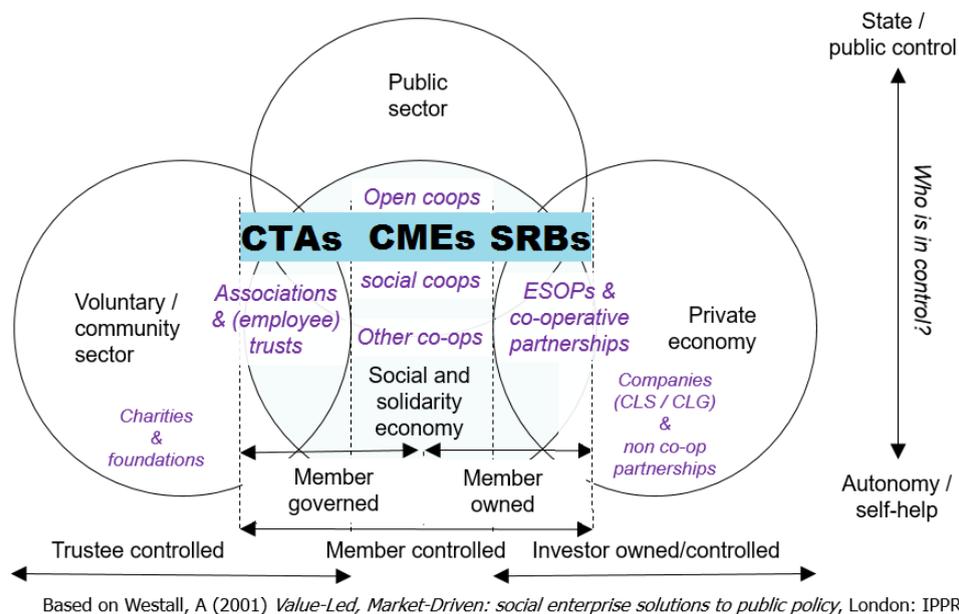
<sup>1</sup> <https://www.kiva.org/about/stats> on 25<sup>th</sup> Jan 2016.  
<sup>2</sup> Data found at <https://www.fundingcircle.com/uk/> on 25<sup>th</sup> January 2016.  
<sup>3</sup> [www.zopa.com/about](http://www.zopa.com/about) on 28th January 2016.  
<sup>4</sup> For further details, see <http://www.creativecommons.org>.

per cent) can be exploited commercially so long as the user follows the licence terms. The world’s most popular encyclopaedia – Wikipedia – uses Creative Commons to license its articles. Its own annual report (Wikimedia Foundation, 2014) claims it was funded in 2012–13 by 2 million people, and that its editors added 5 million new articles and made 160 million edits to existing articles.

This activity is transforming institutional logics for obtaining funds not only in the market economy (e.g. Funding Circle) but also the voluntary sector (e.g. Kiva). Indiegogo and Kickstarter suggest that web-based mutual models can harness new kinds of philanthropy by linking supporters to producers through web-based platforms. The future that Westall (2001) envisaged of a ‘fourth space’ in which social enterprises build a SSE through innovations in member-driven/owned enterprises is now becoming a reality, and it is growing at a rate that business educators, policy makers and researchers can no longer ignore. We urgently need to adjust our philosophy of business to match the rise in multi-stakeholder approaches to enterprise development, and the solidarity co-operative models that underpin new methods of engagement by producers and users to secure mutual interests (Birchall, 2009; 2012; Ridley-Duff and Bull, 2014; Connaty, 2014).

The paradigm shift proposed in this paper provides a framework for understanding the logics behind the changes in local and global institutions that support social enterprises deploying Ostrom’s design principles. These already enable hundreds of millions of people to secure their livelihoods in a different way. The 2014 International Co-operative Summit in Quebec repeated a previous claim at the United Nations that 59% of people globally depend on the co-operative economy to secure their livelihood. New systems for co-operation (like Creative Commons, Wikipedia, Kiva, Funding Circle and Zopa), plus the re-emergence of mutual finance, plus innovations in open-source software (like Linux, Apache, Wordpress and Wikimedia) are more than passive attempts to ‘mitigate failures in the state or market’ (Alter, 2007). They represent a paradigm shift in the direction of ‘new co-operativism’ (Vieta, 2010) that builds on, but is not a slave to, past traditions in co operation and mutuality.

**Figure 6 – Social enterprise approaches and the social solidarity economy**



Westall’s model (Figure 6) also makes it easier to theorise *transformations* that use mutual principles to forge new hybrid CTAs and SRBs. This includes: CIO associations and co operative CICs (UK); social co-operatives (EU); solidarity enterprises (US/Latin America) and all manner of approaches to ‘spinning out’ public service mutuals. All these activities diversity the fourth space.

## CONCLUSIONS

Some time ago, Dees (1998) suggested that the complex structure of social enterprises, and variance in their definition, make any generalisations problematic. There is no single, agreed set of words that clearly defines social enterprise. Such debate is inevitable, not only because many parties are competing to influence the definitions that are used on the ground, but also because it takes time for a social movement to learn which forms and activities work sufficiently well in practice to warrant institutional support.

Over time, there has been some convergence regarding the ‘lowest common denominator’ of *trading* to support *social aims* (Peattie and Morley, 2008) even if the social aims themselves vary so greatly that no broader consensus is possible. The identification of different approaches and underpinning logics linked to trading for social aims advances theory. It helps to answer the question ‘how can the emergence of social enterprises be rendered in a way that makes their scale, diversity and impact more visible?’

Going forward, the nascent ideology of ‘new co-operativism’ has now created a range of new institutions to establish the viability of the design principles that underpin a SSE committed to sustainable development. I have presented evidence that the growth of the SSE is rooted not simply in a desire to ‘solve problems’ but also to proactively create a more open, shared, democratically organised economy that secures its stability and realises its potential. In this space, there is a ‘defining cluster’ of for-purpose actions that generate a SSE:

1. New approaches to redistribution using unions, societies and associations that organise charitable trading activities (CTAs)
2. New approaches to reciprocity through co-operative and mutual enterprises (CMEs) that use online platforms to generate solidarity between producers and consumers.
3. New market-based trading activities in socially responsible businesses that proactively pursue sustainable development (SRBs).

The alternative axis (and economy) theorised in this paper, supported by evidence from multiple sources, lends greater credibility to the claim made in 2012 that the co-operative economy as a whole enables 3 billion people to secure their livelihood. These claims can be traced to reports prepared for the United Nations (1994), repeated in 2001 when the International Labour Organisation (ILO) was debating the adoption of recommendation 193 on the promotion of co-operatives. Claims were grounded in the ICA’s own membership and employment data (ILO, 2001), and were republished for the launch of the 2012 UN International Year of Cooperatives (Co-operatives UK, 2011).

A few years ago I regarded these claims as ‘tenuous’ on the basis that they were derived from a creative interpretation of the UN (1994) report that 59% of the working age population have a ‘close relationship’ with a co-operative (Ridley-Duff, 2012). Today, however, those claims do not look so tenuous. The ICMIF (2013) report includes credible information that 915 million people worldwide have life and non-life insurance with co-operative and mutual providers, and that many life insurance products protect several people. When this finding is added to those found by Roelants et al. (2014) that co-operative employment has been under-reported by about 150 million, then added to evidence of mass engagement in mutual aid through web platforms (Kiva, Kickstart, Indiegogo, Funding Circle, Zopa) the age of social co-operation seems much more advanced than it did 20 years ago. If well over one-quarter of financial products worldwide are now sold by CMEs, and approaching two thirds of people depend on CMEs to ‘secure their livelihood’, why do we not get daily news reports on the health of the social solidarity economy alongside news about stock market prices?

There is no longer an argument that justifies ignoring the SSE’s alternative economy in textbooks on business and economics, nor is there a justification for the lack of public infrastructure and policy

development to support *collective* entrepreneurship by CMEs. The evidence suggests that within a generation the choice will not be between altruistic communitarianism (through charitable organisations and public service) and neo-liberal doctrine (in 'free' markets). Within our lifetime, there will be a new set of choices between social liberalism that is advanced through new forms of union and association, and the pragmatic communitarianism of employee-owned businesses, mutual financial institutions, co-operatively-owned and social businesses that pursue sustainable development goals. It is time for a paradigm shift in business education, public policy and research funding.

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## II. Special Sessions

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### Seeds of Change-Partnering to Bring Social Innovation to Students

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#### **Lara Carton**

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#### **Sally Hines**

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### **PRESENTERS**

**Lara Carton** is the Associate Vice-Chancellor of the Victoria Region at CQUniversity and is responsible for the management of the vibrant, city centre campus in Melbourne which is home to students from around the world. In her role, Lara works closely with local and state government, industry leaders and alumni to further the opportunities for the University and students in the region. She initiated CQUniversity's national participation in TBIda in 2014 and has mentored student groups in the program during 2014 and 2015. Lara has worked in the Education sector for nine years and prior to joining CQUniversity Lara held roles in private education with Navitas. Lara has previously worked for state and local government as well as 15 years' in brand consultancy. Lara holds a Master of Business Administration.

**Sally Hines** joined The Big Issue in 2011 as the National Manager and is responsible for four social enterprises - The Big Issue Street Magazine Enterprise, Women's Subscription Enterprise, The Big Issue Classroom and The Big Idea, as well as the Community Street Soccer Program. Prior to commencing at The Big Issue, Sally worked in employment services, community development, youth mental health and health for over 10 years. She has held various strategic, service delivery and operational management positions, including experience in establishing new not-for-profit businesses across Australia in diverse communities. Sally has a Masters in Human Resource Management, as well as a Bachelor of Arts and Bachelor of Science.

### **PRESENTATION SYNOPSIS**

This session will outline a partnership case study between an Australian university and a social enterprise who are working together to educate students about social innovation and entrepreneurship as well as global citizenship.

The Big Issue (TBI) is Australia's longest-standing social enterprise. It is an independent, not-for-profit organisation that develops sustainable solutions to help homeless, marginalised and disadvantaged people positively change their lives.

TBI is most well-known for providing homeless, marginalised and disadvantaged people with the opportunity to earn an income and re-engage with their community through selling The Big Issue magazine. More than 5500 Vendors have sold the magazine since 1996, earning over \$20 million.

In 2012 TBI launched The Big Idea (TBIdea) - a competition which challenges undergraduate and postgraduate students to develop a concept and business plan for a new social enterprise, giving students an opportunity to develop a wide range of employability skills including business planning and soft skills such as empathy and team work.

The Big Idea competition gives students unprecedented access to social entrepreneurs and influential business leaders, whose guidance, advice and direction will ensure that students are well placed to develop their ideas into business plans for viable social enterprise.

Working with universities nationally, and engaging with the leaders of tomorrow, The Big Idea is:

- Providing the next generation of leaders with education on social issues such as homelessness, and the need for social enterprise
- Facilitating the development of fresh new ideas by the best and brightest young thinkers
- Providing and facilitating opportunities for discussion between students, business sectors, government and the not-for-profit

CQUniversity has one of the largest and fastest growing footprints of any university in Australia with 35,000 students and more than 20 locations across five states. With Australia's highest participation rate of low-SES students, and the second highest rate of first-in-family participation, CQUniversity's vision to be 'Australia's most engaged University' results in close ties to the communities in which the University is located, and a real opportunity to raise aspirations of young people.

CQUniversity believe that they have a responsibility to plant the seeds of social innovation and entrepreneurship for their students with the aim of contributing to the communities in which they live and work. For the past two years, CQUniversity has participated in TBIdea - the first year in the undergraduate competition stream which they won, and the second year in both the undergraduate and postgraduate streams. In the second year, student registrations to participate in TBIdea as an extra-curricular program increased by 400%.

An independent evaluation of TBIdea showed that through participating in the competition students would develop an increased:

- awareness of homelessness and disadvantage;
- understanding of social enterprise;
- understanding of business planning skills;
- appreciation of the value of teamwork.

This presentation will focus on the student and community outcomes that have resulted from CQUniversity's 2014 win in TBIdea and how this initial venture has sparked other initiatives in social innovation and community engagement.

## **PRESENTATION PAPER**

### **Overviews**

This paper will outline a partnership case study between an Australian university and a social enterprise who are working together to educate students about social innovation and entrepreneurship as well as global citizenship.

### **Who we are**

#### **The Big Issue**

The Big Issue (TBI) is Australia's longest-standing social enterprise. It is an independent, not-for-profit organisation that develops sustainable solutions to help homeless, marginalised and disadvantaged people positively change their lives.

TBI operates as a market driven social enterprise that is financially self-sustainable. Our definition of social enterprise includes the need for the enterprise to:

- Operate as a Not For Profit, seeking to generate a surplus for the purpose of reinvesting
- Deliver an activity or function that creates social outcomes
- Be financially sustainable – whilst seed (or start-up) funding may be sought initially, ongoing funding or donations should not be relied upon
- Be scalable – have the capacity to grow significantly and provide opportunities to a large number of disadvantaged people, even if it is small in its start-up
- Be legal – be a legally compliant enterprise, including meeting relevant legislative requirements, i.e. applicable award rates paid to all employees
- Generate direct and meaningful work opportunities (with low to no barrier of entry) for homeless, marginalised or disadvantaged people within the enterprise.

### **What we do**

TBI is most well-known for providing homeless, marginalised and disadvantaged people with the opportunity to earn an income and re-engage with their community through selling The Big Issue magazine. More than 5500 Vendors have sold the magazine since 1996, earning over \$20 million.

#### **CQUniversity – the most engaged University in Australia**

CQUniversity operates across five states, with campuses in 12 locations and a further 13 study centres and hubs to support distance education students in regional and remote areas. With a vision to be 'Australia's most engaged University by 2020', and a commitment to return 1% of annual turnover back to the community, CQUniversity has engagement deeply embedded in its DNA.

Engagement activities are coordinated under headings of Learning & Teaching, Research; and Internal & External Service categories, and include opportunities for staff and students to generate and participate in engagement activities including service learning and volunteering, external committee participation, provision of University facilities for external organisations' use, and the use

of many forums for community stakeholders to provide feedback and input to the university's future planning activities.

CQUniversity sees the capabilities of the staff and students as a significant resource to utilise in the development of the communities in which it operates, and to 'give-back' to those many communities who support the University.

## **The Big Idea**

### ***Creation Myth***

In 2012 TBI launched The Big Idea (TBIda) - a competition which challenges undergraduate and postgraduate students to develop a concept and business plan for a new social enterprise, giving students an opportunity to develop a wide range of employability skills including business planning and soft skills such as empathy and team work.

The competition was developed in response to two drivers:

1. Market demand
2. Desire to promote TBI's accepted definition of social enterprise and generate new business ideas

For many years TBI had fielded calls from tertiary institutions seeking to hear from TBI, and in particular the homeless and disadvantaged Vendors. At this point, TBI did not have social enterprise that was equipped to manage these enquiries as well as operate a financially viable business unit.

Consequently TBIda was developed as a structured way for students to get valued engagement with TBI, whilst also providing employment for homeless and disadvantaged Australians.

The competition also enabled TBI to promote and discuss our preferred definition of social enterprise with a wide audience, encouraging students to engage in social enterprise and choose it as a career path.

### ***TBIda overview***

Combining insightful lectures and online seminars, TBIda provides an opportunity for students to gain access to high profile Australian business leaders, learn about the case for social enterprise from experts working in the field, and hear first-hand from those whose lives have been positively affected by working at a social enterprise.

The competition challenges students to develop a concept and business plan for a new social enterprise or social business, with a previous student reporting that 'TBIda Challenge has been one of the most positive experiences of my university journey.'

TBIda competition gives students unprecedented access to social entrepreneurs and influential business leaders, whose guidance, advice and direction will ensure that students are well placed to develop their ideas into business plans for viable social enterprise.

Working with universities nationally, and engaging with the leaders of tomorrow, TBIda is:

- Providing the next generation of leaders with education on social issues such as homelessness, and the need for social enterprise
- Facilitating the development of fresh new ideas by the best and brightest young thinkers
- Providing and facilitating opportunities for discussion between students, business sectors, government and the not-for-profit

TBIdea combines an on-campus lecture at each participating university, a series of online seminars, and weekly discussions, with student group work to develop their social enterprise plans.

The initial on-campus lecture engages students and introduces them to a guest speaker who has personally experienced disadvantage and worked in a social enterprise. The weekly online sessions are an opportunity for students to gain specialised knowledge from social enterprise practitioners and Australian thought leaders and ask specific questions relating to their submission.

TBIdeas's unique model of providing online learning resources means that there is equity of access to all materials for all students at all locations in Australia regardless of geographic or economic barriers. This means that the CEO of Perpetual Geoff Lloyd (based in Sydney) is able to deliver a lecture on leadership to not only the students at the University of Sydney, but also the students at CQUniversity's remote Karratha study hub.

In 2015, TBIdea was delivered to undergraduate students at 10 universities:

- CQUniversity
- Deakin University
- Flinders University
- La Trobe University
- Monash University
- Murdoch University School of Management and Governance
- RMIT University
- Swinburne University of Technology
- University of Melbourne
- University of Sydney

And also available for postgraduate students at:

- CQUniversity
- Deakin University
- University of Melbourne
- University of Sydney

TBIdea commences in the first half of the year with planning and student recruitment, with the competition opening to students on 1 July of each year. Competition delivery calendars are developed with each university to ensure session dates align with their academic calendar.

## ***The Big Idea at CQUniversity***

In 2013, CQUniversity were observers to The Big Idea (TBIdea) competition<sup>1</sup>, run annually by The Big Issue. Through the University engagement strategy, opportunities for greater collaboration between students and the community are regularly evaluated to determine their applicability and benefits. However, the concept of social enterprise was new to the University and observing TBIdea in action provided the opportunity to see how a social enterprise competition might fit with other student/community engagement activities. In Melbourne, where CQUniversity competes for marketshare against Victorian universities and many interstate universities, the opportunity to participate in this high-profile competition was also very attractive as a brand-building exercise.

At CQUniversity, the competition promotion commences during term one of the academic year, with student recruitment completed by week two of term two. Students then have approximately ten weeks in which to understand the concept of social enterprise; form groups; identify relevant, local social issues; evaluate possible business solutions; liaise with relevant community groups to ensure the project meets a genuine need; develop the technical and business components of the project; and finally, write the project up into a pitch presentation.

### ***Early roll-out and take-up***

At CQUniversity, student participation in the program is undertaken on an extra-curricular basis. In addition to the resources provided by The Big Issue, the University provides a dedicated Moodle site for program content. The site includes recorded videos by discipline experts from social innovation and various business streams, and provides an opportunity for staff and students to discuss their projects, or post questions via the chat function.

In 2014, following the roll out of a detailed communication plan including the use of social media, direct emails to students, in-class promotion by academic staff and use of University newsletters, all undergraduate students were invited to register their interest in participating in the competition. 30 students registered their interest, falling to a total of 12 students in three teams completing the program and submitting their business concept for the internal round finals.

By comparison, in 2015 following the University's win in 2014, 130 registrations of interest were received to participate. Surprisingly, this number still fell dramatically throughout the course of the competition to result in just four teams submitting a business case for the internal final round. This dramatic increase in registrations was attributed to a heightened level of awareness of the competition following the 2014 win and subsequent media attention, coupled with the addition of a post-graduate stream in the competition. The drop in registrations to completion reflects in part the reality of the time-commitment required to participate in the program as an extra-curricular activity, and the difficulty that students have in forming teams across such a dispersed university footprint.

In both years, teams that have experienced the most success are those where the students are located in the same city or town, and generally where the students are studying the same course, and have developed a working relationship already through other work as a study team. While these

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<sup>1</sup> [www.thebigidea.org.au](http://www.thebigidea.org.au)

existing relationships do not dispense with the ‘form, storm, norm, perform’<sup>2</sup> sequence of group dynamic often found with new teams, they do have the capacity to move through these phases more easily with less time lost particularly at the forming stage of the project.

### **National Outcomes**

A 2014 independent evaluation<sup>3</sup> of TBidea showed that through participating in the competition students would develop an:

- increased awareness of homelessness and disadvantage (84.4% of respondents indicating “to a large extent” or “to some extent”).

“It was really interesting, in one of our Uni webinars we had two previously homeless individuals come and talk to us; they are involved in The Big Issue I believe. And what was interesting was to learn that not all homelessness is due to drugs and alcohol, there are different reasons why people end up there. And hearing their stories about how sleeping on the streets is safer than the half way homes.” (Big Idea participant).

- increased understanding of social enterprise (96.9% of Big Idea participants reported “to a large extent” or “to some extent”)
- increased understanding of business planning skills (100% of Big Idea participants reported “to a large extent” or “to some extent”)

The independent research also found that Universities value TBidea experience. Almost all of the University staff felt that they had achieved their objectives for participating in TBidea.

“I think The Big Idea embodies the essential ideals (innovation, entrepreneurship, and global citizenship) that we want the students to go away with and the subject helped that. (University project manager).

University staff also identified a range of practical skills that were strengthened through students’ participating in the competition including presentation skills, teamwork, and understanding of business planning.

“I think The Big Idea was a vehicle to achieve the goals (social and commercial enterprise, team work, communication, and presentations) in the topic from a social enterprise point of view...” (University project manager)

Four years on and TBidea has created 171 new social enterprise ideas by 667 students.

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<sup>2</sup> Developmental sequence in small groups. Tuckman, Bruce W. Psychological Bulletin, Vol 63(6), Jun 1965, 384-399

<sup>3</sup> Synergistiq (2014) Evaluation of The Big Idea

Year	Number of students participated	Number of business plans submitted	Synopsis of Winning Teams	Participating Universities
2012	39	9	Team Velo (UNSW): Team Velo's winning idea would see the 'establishment of a number of innovative responses to help promote and support the bicycle transport culture of Sydney,' and The Big Issue carried out a feasibility study to determine whether The Big Issue's Redfern office could be used as an implementation site, storing bicycles for commuters on their way into work.	Swinburne UNSW
2013	145	39	Revegetate (La Trobe) An urban landscaping business located in Melbourne, which creates quirky, living vertical walls for cafes, hotels and restaurants, as well as ongoing maintenance. This social enterprise provides recognised training in horticulture to disadvantaged employees.	Deakin UNSW Murdoch Flinders UQ La Trobe University of Melbourne Swinburne UWS UNE
2014	175	41	The Shelter Project (CQU) This social enterprise provides temporary housing design for Australian disaster victims using reused industrial pallets, and creates an opportunity for unemployed Australians to assist with construction.	CQUniversity Curtin University Deakin University Flinders University La Trobe University Murdoch University University of Melbourne Swinburne Monash University

2015	308	82	<p>The Garden of Earthly Delights (CQU) – Postgrad: This social enterprise uses a number of revenue streams and initiatives to run a community garden providing flexible training, education and employment for people facing disadvantage or experiencing homelessness.</p> <p>The Vibe Collective (La Trobe) – Undergrad: The Vibe Collective promotes social interaction for young adults in rural areas, raises awareness about mental health, and provides valuable employment and skill-building opportunities for youth experiencing disadvantage.</p>	<p>CQUniversity Deakin University Flinders University La Trobe University Murdoch University University of Melbourne RMIT University Swinburne Monash University University of Sydney</p>
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## Case Studies

### ***CQUniversity - The Shelter Project, 2014***

Early in the 2014 roll-out of TBidea competition, CQUniversity student leaders were identified and approached as possible participants in the program. Deans were invited to nominate promising students, and internal media stories were reviewed in order to identify innovative students. Through this, Angus Hughes a second year Engineering student from the Rockhampton campus was identified as a prospective participant.

Angus had featured in his first year of study in the *UniNews*<sup>4</sup> publication with an article showing the prototype house that he lived in on his parent’s property in regional Queensland. Angus had designed the house, and with the help of his family had built the house from recycled timber packing pallets. The house was contemporary, sustainable and importantly, liveable and Angus was clearly a young man with clever ideas that he wanted to bring to life through his study.

Angus was invited to join the competition to further develop his house concept, and he in turn, invited engineering colleagues Jessica Kahl and Mattison Rose to join his team. The house concept was a solid design concept already however, it had no social enterprise component to its planning, and so, while further developing the engineering scope of the project through the addition of solar panels to power basic lighting, and some structural changes, the main focus of the student’s development work focussed on introducing a social enterprise component.

The students identified a range of opportunities to utilise the Shelter Project for social good:

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<sup>4</sup> <https://www.cqu.edu.au/cquninews/stories/general-category/2014/the-big-issue-announces-cquni-team-as-big-idea-winner>

1. The housing could be prepared and packed in kit form, to be stored in the event of a natural disaster such as bush fire or flood, in which time it could be quickly delivered as required, installed within 3 – 4 days on a disaster victim's own property and used as temporary housing for up to two years while permanent housing was rebuilt. During the final stages of the business concept development, this idea was pitched to the Mayor of Rockhampton and the President of the Rockhampton Rotary Club, both of whom provided in principle support to the project immediately. The Rotary Club went as far as to commit to purchase kit houses from the student group if the project was commercialised in the future.
2. Staffing for the production of the kits houses would bring in disadvantaged people from the local community, provide training in basic occupational health and safety, and building skills, through the vocational college of CQUniversity to undertake manual construction of the kit homes. Staff would be supervised by a project coordinator and the roles would last for a fixed period of time in order to allow for a flow of people to be trained through the organisation, and then move into more permanent construction and maintenance work in other firms. One recruit from each intake would be further trained to act in a supervisory capacity for the next intake of staff, and in doing so would acquire staff management, and greater project management and construction skills.
3. The raw materials of timber pallets are generally an item that companies are required to pay to have disposed. Through the development phase of the project, the student team identified a community-based business prepared to donate large numbers of pallets to the project for use in construction. These connections to local Rockhampton businesses also resulted in commitments to donate start-up equipment and tools.

It was evident through the initial round of internal competition that the Shelter Project was a strong business case with solid social enterprise foundations. The students were supported in developing the financial and marketing aspects of the business plan by University academic staff who mentored them, and assisted in acting as 'devil's advocate' during mock question-time. The students also received mentoring on presentation techniques.

At the time of winning the competition, the judging panel comprising senior business leaders, social enterprise practitioners and senior public figures noted that the depth of the detail, demonstrated success of the prototype, and the level of consideration given to the social enterprise aspect of the project had significantly raised the standard of undergraduate projects in TB Idea competition.

### ***CQUniversity - The Garden of Earthly Delights, 2015***

In 2015, TB Idea launched an additional stream to the competition, for post-graduate students. The winning CQUniversity team of Elisha Vlaholias and Tessa Beneviste, are PhD candidates at the University's Appleton Institute based at the Adelaide campus.

Through their assessment of local social issues, it was identified that a patch of Council land had recently been cleared of homeless people, and those people were now displaced. The land was sitting vacant, and was a social issue with limited security, low visual appeal and little community amenity.

The Garden of Earthly Delights was positioned as ‘a community garden that will support people struggling with homelessness to re-connect with community, rebuild their lives, and build economic independence’<sup>5</sup>.

Working with the Hutt Street Centre, a welfare agency whose premises border the Council land, the students identified that many of the homeless people who were forced to vacate had long-term issues including limited access to current or previous employment and in many cases, limited education often coupled with drug, alcohol and mental health issues. The student team recognised an opportunity to provide some basic training and employment opportunities for this cohort while also beautifying the vacant land and using it in a productive manner.

Developing a strong relationship with the Adelaide City Council was a key to success as the project relied on having sufficient vacant land in which to establish ‘pop-up gardens’ above ground. The pop up gardens impact less significantly on the land and are more-easily transferable as the Council develops a long-term plan for the land.

The pop-up gardens would operate using permaculture principles and would serve as a working lab for the University’s new permaculture post-graduate program, with oversight of the planning and planting provided by the University and its post-graduate students. Disadvantaged people employed in the program under the Work for the Dole scheme would be provided with flexible working hours and would be employed in manual tasks such as construction of the raised beds, preparation for planting, planting and harvesting and ongoing maintenance tasks such as weeding, watering and fertilising.

Additional education for employees would again be provided through the University’s vocational arm with certificate level qualifications provided to those staff who wanted to undertake higher level training than the initial introductory exercises.

The success of this project was not only the clarity and simplicity of the business case, but also the clearly identified community partners that the students had already commenced discussions with prior to submitting their business case. The links of the University to key community stakeholders assisted the student team in quickly identifying existing relationships that could be leveraged in the development of this business case.

At the time of winning the competition in late 2015, the two students were a few months off finishing their PhD’s with a strong possibility that one or both students would further develop the idea during 2016.

## **Lessons learnt - TB Idea**

### ***Business development***

TB Idea was the first time TBI had engaged with the tertiary sector in any kind of structured way. As such we needed to learn a different language and ways to engage with this new sector.

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<sup>5</sup> E. Vlaholias, T. Beneviste – The Garden of Earthly Delights pitch presentation, November 2015.

The first thing we learnt was that each university is very different- the courses, units of study, organisational structure, philosophies are all different. And as such, a one-size-fits all approach to business development did not work. Our approach had to be to engage as many university stakeholders as possible (through mail outs, emails, phone calls) in the hope that our business proposal would land in the hands of the right person.

We also learnt that the language we use with a corporate partner wouldn't work with a university. Whilst the universities we work with certainly have empathy towards homeless and disadvantaged people (the focus for TBI), it is not their primary concern. A University's primary focus is about creating opportunities for students. Secondary to this is each university's mission (e.g. to create innovative thinkers who are world citizens) as well as the need or desire to support a social enterprise like TBI that supports homeless people. The value proposition is different for a university as compared to a corporate organisation.

The other lesson that we learned through our sales process was that we needed to challenge the predominant view that not-for-profits run on a charity model and don't seek to generate a surplus. Without this surplus, TBIdea cannot be run as a financially self-sustainable social enterprise independent of fundraising, government grants and sponsorship, nor can we provide employment to homeless and disadvantaged individuals within our social enterprise. This was certainly an unexpected hurdle and we were surprised to learn that some universities didn't think that a competition such as ours warranted an entry fee. For example one university didn't understand why, if the thought leaders and external judges (non-TBI) were donating their time, we weren't offering this competition for free. This of course failed to acknowledge the work of TBI staff to administer and run the competition. This viewpoint also didn't take into consideration that TBIdea is financially self-sustainable social enterprise; able to run independent of tax payer or philanthropic funding, whilst providing employment to homeless and disadvantaged individuals.

Once contact had been made with a relevant person and we had a warm lead, our approach was to engage the stakeholder in a face-to-face meeting, demonstrating and selling the competition in a way that made sense for the individual university. For some universities the value proposition was about how TBIdea competition could be embedded in the curriculum of the university to support coursework that was already being delivered. For other universities, their interest in the competition was more about providing opportunities for students to develop as leaders and global citizens in an increasingly complex world. This was then followed-up with regular contact (phone and email) and finally when the timing was right, an invoice for payment and a Letter of Agreement was sent to formalise the partnership.

### ***University and student engagement***

Obtaining sign-off for the competition from a decision maker at the university is just the first step in working with each institution. The next lesson learnt was that just because the decision maker is highly engaged with their university participating in the competition, this doesn't necessarily translate to the project manager (responsible for rolling out the competition at the university) being as interested or engaged in the partnership.

Consequently there is a need to build a separate relationship with the person who will administer the competition. In the past we have had a university sign-on to the competition at the VC level, only for the take-up to be poor from students as the project manager was not interested or engaged and

was not able to get sufficient support beyond executive level. This has resulted in one university getting to the point where they almost didn't put forward an entry for the competition.

Just as business development couldn't follow a one-size-fits-all approach, competition delivery needed to be adjusted to suit the needs of each university. Whilst we provide each project manager with a comprehensive competition toolkit (include templates, schedules etc.), we still needed to be flexible and adapt to each new customer's needs.

A lot of the competition's success (from TBI and the university perspective) relies on an adequate number of students participating. Accessing and promoting TBIda can be incredibly challenging; not only for TBI, but also the universities. In our experience many undergraduates want to pass a degree with as little effort as possible (and universities struggle to recruit them for other worthwhile activities also). Students are often committed with full time study and part time work – not enough time for extra-curricular activities.

It can also be challenging to generate enough student interest, particularly when the competition is only made available to students undertaking a specific course

### ***Competition and competition content - the product***

The first incarnation of the competition had two strict rules around the definition of a social enterprise and the owners of intellectual property. At the time, we had no idea the challenges this may cause us in recruiting universities and also students.

As an emerging field, competing definitions of "social enterprise" exist. TBI's definition is based on 20 years of working in the sector and can be perceived as quite specific as compared to other definitions available. The main points of difference are that TBI requires a social enterprise to:

- be independent of ongoing funding, donations and fundraising. It needs to be financially self-sustainable after the initial start-up phase.
- Provide employment directly within the social enterprise business for homeless, marginalised and disadvantaged people.

These criteria caused challenges for some students as they had great socially-conscious business ideas that met all of the judging criteria, however they were unable to provide employment for disadvantaged people. This meant that in the first year we had some great business plans, however with employment opportunities clearly manufactured (sometimes inappropriately) for the sole purpose of being able to enter the competition.

The second challenge was the issue of intellectual property. By entering the competition, students were giving the rights of their intellectual property to TBI. This was because we initially believed that we were going to be given access to hundreds of great ideas that we could implement and run as social enterprises. The reality was that whilst many of the ideas are really great, they aren't suitable for TBI to run. For example the postgraduate winner from CQUniversity in 2015 was The Garden of Earthly Delights - a social enterprise that uses a number of revenue streams and initiatives to run a community garden providing flexible training, education and employment for people facing

disadvantage or experiencing homelessness - a great idea, however highly specialised and different from the core publishing work of TBI.

In addition, TBI's requirement to own the intellectual property meant that some students were unwilling to enter the competition from the start as they had intentions of running their social enterprise for themselves without the input of a third party.

### ***Supporter stakeholders***

TBIdea competition also engages influential Australian business leaders as thought leaders and judges. In addition, we collaborate with a variety of organisations that also work in the social enterprise space.

Whilst all of our thought leaders have many years' experience delivering presentations, the change in audience to students and via webinar meant that we needed to support these business leaders to a greater extent than we first thought. The online platform took some time to get used to, and we needed to ensure that these stakeholders felt comfortable and capable to deliver competition content for us, so that we could in turn meet the expectations of our university stakeholders.

## **Lessons Learnt – CQUniversity**

### ***The need for internal champions***

Gathering support within the University to run the competition was critical. The financial investment in entering the competition coupled with the potential reputational benefits that could arise if successful meant that it was important that senior managers of the University supported the program, and actively promoted it to their networks.

Following the approval of the initial business case by the Deputy Vice-Chancellor Campuses & Engagement; the University Provost and Deans were briefed on the opportunity in order to garner their support to promote the competition to academic staff and to students. This internal support has been critical in ensuring that relevant students are identified to participate, and discipline-specific academic staff are made available to support students to develop their business cases.

### ***Identifying local social issues***

The biggest risk area in running the competition as an extra-curricular program is the length of time that can be lost in forming teams, identifying local social issues and generating the initial tranche of business concepts for evaluation. Experience shows that without a clear timeline to work to, many students withdraw from the competition during the process of forming teams and agreeing which social issue(s) to focus on.

Early promotion of the competition, and encouraging student leaders to invite colleagues to form a team has proven more timely than grouping students simply by geography or discipline.

### ***Challenging the founder***

Experience with student groups over the two years has shown that groups that are founded by one person with a big idea, who has subsequently gathered colleagues to help develop the business

concept, can struggle with the concept of challenging the founder. Either, other group members feel that they do not have the authority to question the business concept in depth and simply submit to doing low-level work at the direction of the idea founder. Or alternatively, in those groups where team members feel sufficiently credentialed to challenge the idea-founder regarding aspects of the business case or social issue, at times this has resulted in the founder withdrawing temporarily or permanently from the group as they grapple with the basic concept of their business vision.

Therefore, while it is more timely to have one student lead and found the group, the groups that have worked most harmoniously are those where the team comes together to identify the social issue and the range of solutions before selecting one solution to develop into the business case. Where there is no one idea 'owner', and team members are simply invested in finding a solution rather than developing a pre-conceived solution, the learnings for team members appear to have been more significant and the group functioning has been more collaborative than combative.

### ***External networks***

Critical to the success of both winning teams, and also to teams who did not get to the finals was the strength of the connections held by the University with senior community stakeholders. In both cases, the ability to contact the relevant local council, welfare agencies or other potential partner organisations with ease was as a result of long-held professional relationships with the University, rather than initiating contacts specifically for the project.

An additional benefit of the CQUniversity engagement strategy and the depth and breadth of community contacts is the University's ability to model to participating students the benefits of ongoing, mutually-beneficial community engagement and relationship-building.

### ***Improving scaffolding and use of University resources***

As previously noted, the issues of limited time for an extra-curricular activity, and the significant amount of time required to understand local social issues and business options to assist in addressing them, is a major drawback to increased levels of student participation.

As part of the University's Social Innovation Strategy, a range of other initiatives we will provide as scaffolded approach to this program.

- Through 2016, a range of design-thinking workshops will be conducted which aim to introduce groups of students and staff to the broad principles of design-thinking in order to provide a tool to develop and evaluate a broad range of options for effecting social change, rather than settling early on a particular solution or business concept.
- An expert speakers' series to commence in April 2016 will provide a range of live and recorded, domestic and international perspectives on various social issues that will spark students' interest in social issues nationally and internationally.
- The inclusion of dedicated social innovation courses within degree and post-graduate programs will see a broader uptake of social innovation and social impact thinking available to students across disciplines. As is common in many universities, social innovation course content will be encompassed by the School of Business and Law but available to students from all disciplines via electives.

- Participation in TBIdea competition will continue to be available to all students on an extra-curricular basis however, over time it will also be available through a for-credit unit to provide students who choose to undertake the program through a term two unit with the support of additional resources.
- Anecdotally, TBIdea competition organisers note that the most successful student teams in the annual competition are often those who complete the program as an extra-curricular activity, possibly indicating that the drive to create social change is a deeply held desire that transcends the need for formal course credit in order to motivate team participants.
- Additional think-tank immersion workshops will be conducted in order to develop students' awareness of social issues impacting specific regions. Following on from the highly successful 2015 Gladstone Social Incubator which saw students meet with community groups, disadvantaged community members and business leaders over a two-week period, and develop a deep understanding of the issues affecting this mining town, leading to the creation of a list of social problems and possible business solutions for later development by other groups or individuals. Further roll-out of this approach will allow for participating TBIdea groups to utilise existing summary resources of the issues affecting particular areas, and assist in providing some thought-starter solutions for detailed research and development.

## **Program Refinements**

In order to ensure continued success of TBIdea competition, TBI needed to ensure that stakeholder engagement and competition content is continually reviewed and improved. We also need to continue to develop and expand the social enterprise to ensure continued success in the market place.

### ***Supporter stakeholders***

A critical point of difference for TBIdea competition as opposed to other business planning or social enterprise competitions is the Australian business leaders and other social enterprise organisations engaged in the competition to deliver content and judge the competition entries.

In order to ensure that the competition is delivered in the way TBI requires, we need to ensure that all supporter stakeholders are engaged and briefed appropriately. If a thought leader is presenting a webinar on diversity in the workplace, we need to clearly articulate and outline what that means for TBI, so that the presentation meets our requirements in terms of content. In terms of engaging corporate Australia, TBI works with an extensive advisory network that has been developed over many years. These high profile individuals provide assistance and direction with our national and state based initiatives. Relationship with this network is managed by the CEO's office and involves nurturing the relationship through engagement in TBI events, campaigns and news, as well as seeking out advice and support at appropriate times. TBIdea provides TBI with an opportunity to engage with these high profile individuals and in turn TBIdea inspires and motivates these people to connect and be a part of TBI. TBIdea also gives our thought leaders and judges an opportunity to invest in the next generation of leaders.

## ***Universities***

In working with university stakeholders, we needed to further consider our sales pitch. We considered whether we were selling a product or asking the university to invest in a relationship. Equally, we needed to understand what each university is looking for in a partnership with TBI.

This partnership needs to be genuine, with opportunities for both TBI and the university to achieve mutually beneficial outcomes. For example one of TBIdea universities has provided pro bono multimedia support to TBI, filming and creating a promotional DVD. This met a need for TBI, and also provided valuable work experience for media students.

## ***Competition content***

In moving forward, TBI also needed to continue to provide customer service to the universities. We need to be receptive to feedback and adapt the competition to fit the market, rather than try to make the market fit the competition.

As a result of feedback regarding the definitions of social enterprise, TBI has created two new competition streams. Now students enter the competition submitting a plan in response to one of three statements:

- a) Develop a concept and business plan for a new social enterprise;
- b) Develop a concept and business plan for a new social business; or
- c) Develop a concept and business plan for a new social enterprise or business for a not-for-profit organisation of your choice.

TBI also recognised the challenges caused by the restrictions around intellectual property and in the third year of competition removed this clause from the terms and conditions. Therefore students entering the competition owned their intellectual property.

## ***Students***

In engaging with students, TBI has decided to use mediums they are more familiar with and use language that will resonate. Previously we have relied on universities to recruit students to the competition; however in 2016 we will complement this with a social media presence and an advertising and awareness campaign. We understand that the messaging we use for the university is not necessarily the same as the messaging we use for students.

## ***The Future***

As a financially self-sustainable social enterprise, the ongoing success of TBIdea is reliant on our ability to continue to engage existing university partners, and also to grow our business. Whilst engagement with some universities occurs each year, others come in and out of the competition, and others have not registered. Our market is also somewhat limited to 40 Australian universities, and as such in order to grow this customer base we are looking to expand the competition internationally.

In order to be truly socially entrepreneurial we must continue to grow and develop.

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# Chutney/Cheese: Localization and Cultural Sensitization in Social Innovation-Driven Cross-Cultural Learning

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## **Aruna Raman**

Acara, Institute on the Environment, University of Minnesota, based in Bengaluru, India

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## **PRESENTER**

**Aruna Raman** is India Program Director at Acara, an impact entrepreneurship program at the University of Minnesota that engages students through fellowships, experiential learning programs, semester-long courses and connects to the social enterprise ecosystem. She is a multidimensional leader with over 15 years of experience in social innovation education, program coordination in the nonprofit sector, corporate and marketing communications, and print and new media journalism. Aruna holds a summa cum laude Master of International Development degree from the Graduate School of Public and International Affairs, University of Pittsburgh. She also has a Frontier Market Scouts certificate from the Middlebury Institute of International Studies at Monterey, USA.

## **PRESENTATION SYNOPSIS**

The world of social entrepreneurship/innovation is a buzz with experiential learning programs - the standard format includes a sizeable group of students who typically spend time in developing country contexts, “immersing” themselves in challenges, and understanding development from myriad perspectives. While this is valuable, there is often a tendency to oversimplify the impact of such experiences. They are often summed up in the “came, saw, got conquered” mode.

However, as an educator and facilitator who works with undergraduate and graduate American students, Aruna finds learning to be myriad, nuanced, and deep. It is not just about recognizing that cultures are different, and respect needs to be accorded to such differences. Most times, it is visceral, can’t be codified, and the impact can only be felt post-facto, and influences many life decisions. Here are a few examples she gives:

- a) When we were travelling in rural Karnataka (a South Indian state), as part of a program with a grassroots nonprofit partner, we were asked to plant saplings. One student took issue with it, as she thought of it as foreigners posturing, when we didn’t have the ability to make any real impact. She refused to be a part of the exercise, which would be construed of as rude, in the local context. As educators, we had to walk a fine line between being sensitive to her feelings, and respecting local customs.
- b) Another student, who did an internship in a tribal area, shared with us that she understood what income inequality truly means, after being neighbours to a woman who earns Rs. 100 a day. Our student had deep feelings - she wasn’t sure that she wanted to come back to India, being aware of the fact that she would merely be a poverty porn tourist.

- c) One of our community health field partners explained to us that working in rural and indigenous communities meant being respectful of customs and superstitions. They talked about a woman who was in labour, and didn't come to the health clinic, because she was afraid of stepping out on a full moon night - which is said to be accursed.

Aruna brings in these nuanced local contexts, which shouldn't certainly be placed in the bucket of generic cross-cultural learning. She shares her experience as an educator and talks of ways in which she has tried to walk the line.

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## A Strategy to Grow Social Enterprise

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### **Diana Suggate**

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## **PRESENTERS**

**Diana Suggate** is Senior Policy Analyst, Department of Internal Affairs. She has extensive experience providing policy advice on social enterprise, the non-profit sector, and community development. Located in the Department of Internal Affairs, she was previously an establishment staff member of the Office for the Community and Voluntary Sector in the Ministry of Social Development. Diana's work has included leading input to an international study of the non-profit sector, promoting of effective community engagement practices, and initiatives addressing issues for community organisations and volunteers.

**Alex Hannant** is the Chief Executive of the Ākina Foundation, which helps people and organisations drive positive social or environmental change through social enterprise. Previously, Alex was Director of Programmes at LEAD – a global network focused on leadership and sustainable development. He was also Head of Partnerships at the Climate and Development Knowledge Network – a global initiative providing technical advice and services on climate change and development in developing countries.

## **PRESENTATION SYNOPSIS**

The Government Position Statement on Social Enterprise, published in 2014, includes a commitment that government agencies will identify any policy barriers to social enterprise growth and “work collaboratively to create an enabling, supportive environment where more social enterprises can grow and attract investment”.

The Department of Internal Affairs (DIA) is convening a Strategic Group including people from philanthropy, local government, iwi and social enterprise networks. The group, co-chaired by DIA and the Tindall Foundation, is discussing a vision and strategy for social enterprise and social impact investment in New Zealand.

This session will discuss current barriers to growing this market and practical actions that could be taken by government and other actors. Attendees will be invited to contribute their thoughts on



## NZ Government and social enterprise

- Government position statement 2014, includes:
  - “The Government, through its agencies, commits to identify any policy barriers to social enterprise growth and to work collaboratively to create an enabling, supportive environment where more social enterprises can grow and attract investment.”
- Government funding for Ākina; Youth Enterprise Fund
- Increasing interest in social enterprise in government agencies and amongst Ministers

**What strategy is needed to further build momentum?**

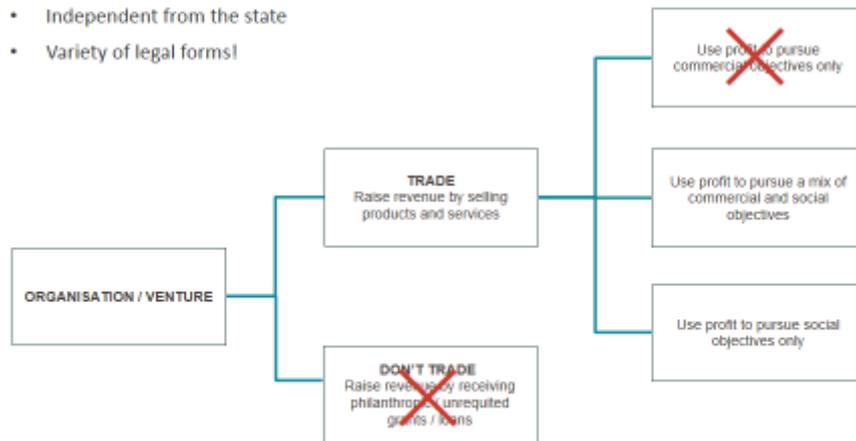
## Strategic Group

- Advising on practical actions for growing social enterprise and social impact investment
- Reporting to Minister for the Community and Voluntary Sector by 31 March 2016
- Co-chairs:
  - John McCarthy (Tindall Foundation)
  - Diana Suggate (DIA)
- Members:
  - Liz Gibbs, Philanthropy NZ
  - Terri Eggleton, Bay Trust
  - Alex Hannant, Ākina Foundation
  - Guy Ryan, Inspiring Stories
  - Wayne Vargis, Te Rūnanga o Ngāi Tahu
  - Michelle Sharp, Kilmarnock Enterprises
  - Karyn Stillwell, Wellington City Council
  - Jeffrey Stangl, Massey University
- Also participation from The Treasury



## Social enterprise?

- Have a clearly identifiable social or environmental mission
- Generate the majority of their income through trade
- Reinvest the majority of their profits to maximise community benefit
- Independent from the state
- Variety of legal forms!



## The opportunity

In comparable countries, Government has taken a lead role in creating an enabling environment and stimulating finance. For instance, UK Government initiatives include:

- Establishment of Unltd.
- Social Incubator Fund
- Big Society Capital bank
- Community Interest Company legal structure
- Investment and Contract Readiness Fund
- the Public Services (Social Value) Act 2012
- 30% tax relief on social impact investments ETC

## The opportunity

Results in Scotland, census 2015.

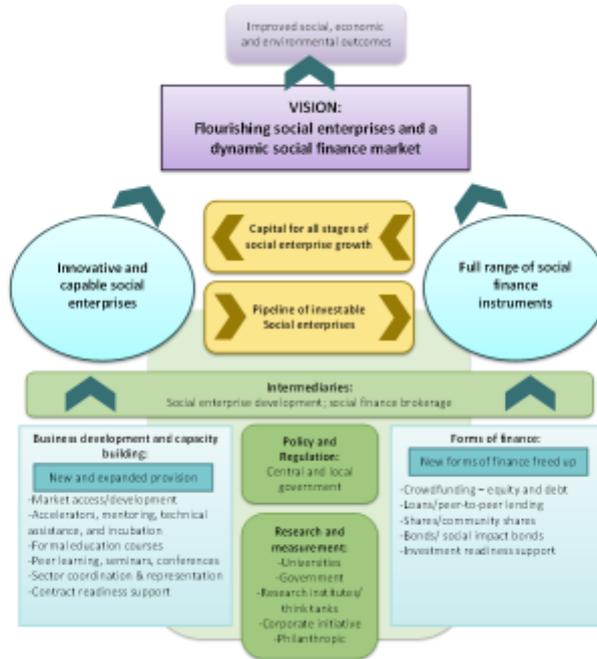


## Supporting Government goals

For instance:

- Social Investment, eg supporting vulnerable NZ'ers; pursuing evidence
- Business Growth Agenda, eg jobs, innovation, entrepreneurship
- Regional economic development, eg inclusive local economies
- Māori economic development

# Vision



## Business Growth Agenda

The Business Growth Agenda lays out a coherent plan to build a more productive and competitive economy

### The opportunity

We have set a strong base

We are growing the economy, jobs and incomes

But we have work to do to support the increasing diversification of the economy and raise incomes further

Now is the time to invest in ongoing growth – the kind of growth that all New Zealanders and regions will have the opportunity to benefit from



### What we get

A market based economy that reflects New Zealand's – agile, resourceful, innovative and world-leading

Our businesses add greater value to their goods and services – attracting a premium from our natural resources, intellectual edge and industry know-how

We are more internationally connected to reduce the impacts of distance, and seen as a real hub of talent and ideas for the Asia-Pacific region

An economy where all regions and our people have the opportunity to grow and prosper

We are one of the most highly-skilled countries in the world, with ambitious business leaders who make the best of our diversity of talents and ideas



## Challenges and barriers

### Sector fragmentation and profile

- no national body
- lack of data

### Social enterprise capability

- need for business development support
- weak regional economic development links
- Māori social enterprise opportunities under-exploited
- limited visibility in secondary and tertiary education
- few co-working spaces

### Financial barriers for social enterprises

- difficulty accessing grants, loans, investment
- difficulty competing for contracts
- compliance costs around debt securities

### Barriers for funders/investors

- barriers for philanthropics supporting profit-distributing social enterprises
- compliance costs for philanthropic organisations considering loans
- no managed fund for investors to contribute to
- lack of agreed performance measurement tools.



## Areas for action

### POLICY AND REGULATION

**Outcome:** Legislation and policy supports the growth of social enterprises and enhances the flow of capital

#### Activity area

Government policy leadership

Status of social enterprise

Social impact investment stimulation

Government social investment and business growth strategies

### CAPABILITY-BUILDING

**Outcome:** Social enterprises are successful and sustainable

#### Activity area

Business development, acceleration, mentoring and technical assistance

Nationwide coverage and regional development

Access by social enterprises to seed funding, research and development grants, an scholarships

## CAPABILITY-BUILDING contd

Māori development

Youth-focused programmes

Pacific and ethnic communities

## SOCIAL FINANCE

Outcome: Suitable finance is available for all stages of social enterprise development

Activity area

Increase access to a full range of appropriate financing for social enterprises

Linking social enterprises and funders

Investor awareness and mobilisation

Education and readiness support for social enterprises

## SOCIAL ENTERPRISE ACCESS TO CONTRACTS

Outcome: More social enterprises are able to win government and private contracts

Activity area

Access to government procurement

Social enterprise readiness to win private and public sector contracts

## MEASUREMENT AND RESEARCH

Outcome: Good data is available on social enterprise and social finance

Activity area

Data on social enterprises

Impact measurement

Qualitative research

## SOCIAL ENTERPRISE COORDINATION AND PROMOTION

Outcome: Social enterprise grows as a community and is widely understood

Activity area

Build New Zealand's international profile

Social enterprise local and national coordination

Grow awareness of the value of social enterprise

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## Evaluating Social Enterprise: The Odyssey Trust Café

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### **Anne Bateman**

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## **PRESENTERS**

**Julian King** is an independent public policy consultant, a member of the Kinnect Group, and an Honorary Fellow at the University of Melbourne. His consulting business helps organisations internationally to use evidence to make good decisions and achieve impact. His services include program and policy evaluation, impact measurement, and economic analysis. He has a Master of Public Policy degree and a Bachelor of Science. His current research towards a PhD focuses on developing a theoretical foundation for evaluating value for money in social investments.

**Anne Bateman** is General Manager, Innovation and Development at Odyssey Trust in Auckland. She is also the Chair of the Counties Manukau AOD Provider Collaborative. She has worked in various roles including planning and funding, quality improvement and clinical practice with specialties in system building, organisational development, evaluation and continuous quality improvement. She holds a Master of Science in Social Work, a Master of Public Administration, is certified in Six Sigma and is a Prince 2 (Projects in Controlled Environments) Practitioner.

## **PRESENTATION SYNOPSIS**

With increased interest globally in social innovations in the non-profit, philanthropic and private sectors, the search is on to find valid, credible, useful ways to determine the impact and value of such investments. In this context, the notion of return on investment has become increasingly tied to social change (King, 2015a). For example, Social Return on Investment (SROI) has gained prominence as one way to apply cost-benefit analysis principles when valuing social impacts (Arvidson et al., 2010).

Economic methods offer a powerful way of assessing the overall value of an initiative but, like any methods, they also have limitations (King, 2015b). For example, the valuing of diverse impacts and stakeholder experiences in monetary terms can leave people feeling short-changed if used as the sole basis for determining the worth of social innovations.

This paper introduces Odyssey Trust's new social enterprise café, and uses it as a case study to identify challenges in evaluating social enterprise, balancing social and financial objectives. It is

based on a paper presented at the American Evaluation Association Conference in Chicago, November 2015 (King, 2015c).

The Odyssey Café has recently opened on the ground floor of the Trust's new community base in New Lynn, Auckland. The principal objective of the café is to contribute to the recovery of young clients by building their employment skills and experience. It is intended that the café will be self-funding, with any surplus reinvested to enhance Odyssey's services. It is also hoped that the café will help forge connections with the local community, provide a social hub where people can meet and relax, and help to de-stigmatise AOD addiction and treatment in the community.

An evaluation framework has been developed that combines economic analysis with leading-edge evaluation design. The presenters will outline the framework, explain how economic analysis is combined with other forms of evidence, and how evaluation-specific methodology (Scriven, 1980; Fournier, 1995; Davidson, 2005) supports the mixing of quantitative and qualitative evidence, resulting in better-informed evaluative judgments about the value and impact of investments in social enterprise.

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## **Living with that Onion-Smell: How to Collaborate for Change without Losing your Power, Betraying your Ideals, or being Ostracised by your Peers**

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### **Julie Roberts**

Project Manager  
Social Enterprise Group  
CQUniversity, Australia

### **Ailsa Lamont**

PVC, International  
CQUniversity, Australia

## **PRESENTERS**

**Julie Roberts** was a social worker before taking a 180-degree turn and studying art history and theory. She was then an academic for many years. Teaching awakened her to the transformative power of education, and from teaching art and design, she moved to social enterprise and innovation. Whilst at RMIT she initiated social enterprise projects for students in Vietnam, before taking up leadership of the Social Enterprise Group. In 2014, she joined CQUniversity where she has been instrumental in bringing social innovation into the curriculum and culture of the university, in partnership with Ms Ailsa Lamont.

**Ailsa Lamont** had several roles before embarking on a university career, working on capacity-building projects in the former USSR, trade development in Europe, and running her own translation business, before joining James Cook University, RMIT and then CQUniversity in Australia in international education roles. Overseas study also provides a vehicle for transformative experiences and she brings this perspective to her work as the lead executive within CQUniversity on the push to embed social innovation across the institution. Working closely with Dr Julie Roberts, she has been developing CQUniversity's bid to become the first Australian university recognised by Ashoka U as a Changemaker campus.

## **PRESENTATION SYNOPSIS**

Heifetz, Gradshow and Linsky, in their book on adaptive leadership (2009) liken collaboration to making a good stew – you want the flavours of the individual vegetables to meld, but not become mush. Continuing the metaphor, they warn that post-stew making carrots returning to carrot-land with the lingering smell of onions may be seen to have “sold out” and, consequently, their message of the value of the stew is diminished.

“Collaborating” has two possible interpretations – one of working together in a spirit of cooperation to achieve a shared end, and another, less positive meaning of working with the enemy. In this interactive session, we want to explore the challenges of collaboration, the difficulties, and the dilemma of how much to yield your own organisational vision to that of another's.

Mulgan (2009) argues that most social innovations fail because of a “lack of adequate mechanisms to promote them, adapt them and then scale them up”. Creative collaboration would go a long way to providing those much needed mechanisms – why then are they often so absent? If asked, most of us working for social change would enthusiastically support the idea of collaboration. In practice, many of us find it a challenging and slow process.

Drawn from the experience of bringing the social innovation agenda into the university in partnership with external organisations, this interactive session, drawing on the strategies of human-centred design-thinking aims to provoke thoughtful discussion and searching insights into how to work productively with the aroma of onions. David is currently Senior Analyst, Tertiary Sector Performance Analysis, in the New Zealand Ministry of Education.

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# Integrating a Human Centred Design Methodology with Large Scale Organisational and System Change

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## **Adithi Pandit**

Partner  
Deloitte, NZ

## **Xavier Black**

Manager  
Deloitte, NZ

## **PRESENTERS**

**Adithi Pandit:** Partner at Deloitte, NZ, Adithi leads their citizen centred design practice for the public sector, and currently is focused on the design of social impact practice. Her passion is for bringing together individuals and organisations to address ‘wicked problems’ at multiple levels: changing systems to transform outcomes, redesigning services to be simpler and generate better outcomes, and shifting mindsets to focus on growth, innovation and impact. Her work has included coaching and facilitating clients through redesign of social housing services, welfare payment services, accident compensation services and child care and protection services.

**Xavier Black:** As Corporate Responsibility Manager, Xavier is focused on effectively using Deloitte’s expertise and assets to create social impact while also building client facing services for the social sector. Having worked in designing, evaluating and implementing social strategies and practice in public policy, corporate sustainability and social enterprise, Xavier sits at the intersection of the social, private and public sectors. Her passion is in translating and bridging across these sectors - figuring out how to use the best bits of each sector to accelerate social progress and create steps changes in how we understand impact.

## **PRESENTATION SYNOPSIS**

A human centred design approach brings huge benefits to social innovation work. By focusing on the users at the centre of the design challenge or wicked problem to be addressed, the approach creates deep empathy for the needs, motivations and behaviours of users, and allows for a more inclusive and co-designed approach to developing solutions. By adopting the mindset that users are experts in their own lives, valuing this expertise, and genuinely developing solution with users, this methodology has the potential for breakthrough solutions. A design approach has been adopted by many players in the social sector thus far - from community economic development providers, start up social enterprises, to central and local government.

However, making these solutions a reality in large organisations or complex systems (e.g. at a sector level) requires a different set of disciplines to come alongside human centred design. Developing an operating model for the organisation or multiple organisations that can deliver a future desired experience for users is a real challenge. Frequently this work becomes overly focused on organisation structures, or focuses on the marketing, brand and digital design. Taking a holistic and

complete view of the organisation requires design to cover all layers of the operating model and bring these together.

The final dimension for successful change is a systematic approach to implementation planning and delivery that brings together human centred change, structured large scale programme planning and using lean startup methods where appropriate to deliver lightweight and agile change.

This session uses case studies and lessons learned to bring to life this process of starting with customer insight and collaborative design through to designing complex operating model changes, and then bringing implementation planning and journey management together. It is a deep dive session that will allow participants to see the whole journey, from start to end: supporting understanding of what methodologies to use at each stage and how each piece fits together to create the whole journey of system change.

The presenters bring a cross-section of insight from different public sector and cross-sector organisations, and a fresh, innovative perspective that combines 'traditional' consulting rigour and leading edge practice.

## PRESENTATION

**Deloitte.**

Social Impact

Integrating a  
human centred  
design  
methodology  
with large scale  
change

Presented at the Massey Social  
Innovation and  
Entrepreneurship Conference  
February 2016



*Real, complex, widespread, urgent and persistent,*

*wicked problems have no readily apparent solutions.*

*They are tough, multi-faceted and usually will not yield to*

*solitary striving or a single brilliant invention.*

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## Our launch pad

Wicked problems are complex – they cannot be addressed through simple solutions...

True solutions start from understanding the human needs and motivations...and the complexity of the system in which the problem is manifest...

Human centred design is a methodology that works beautifully on small to medium size change...

But the really exciting part is the application to large scale organisational or system change...

To deliver large scale change requires 'system thinking' at a scale that matches the scale of the problem...

**How do we bring together a deep connection with humans and a deep understanding of the levers of change in a system?**

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## Levels of innovation



What do we mean by system innovation?

- Bigger systems – cross organisations
- Pre-existing systems – at scale, always existing players
- Comprehensive approach and quite a bit of effort
- Well suited for social impact and wicked problems

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## An approach for planning



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## Breakout groups Considerations for design

How would you approach experience design and system design for these systems?

<p><b>Childcare</b></p> <p>How do we ensure every child is happy and safe while in care?</p>	<p><b>Agriculture</b></p> <p>How do we maximise value of agricultural waste?</p>
<p><b>Caring for the elderly</b></p> <p>How do we ensure every elderly person has the right health care, at the right time, in the right way?</p>	<p><b>Education</b></p> <p>How do we grow educational experiences with less resource?</p>

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## Our approach



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## Lessons from application



### VOICE OF INTENT

- Clarity on intent starts at the highest level – what is the purpose of the system
- Even with very complex systems, the purpose can be easier to identify
- Purpose is best defined in human terms – not in terms of the players in the system
- Scope of the system must match the scope of the purpose
- Intent is the active statement of change directed at achieving our purpose
- Empathy research can inform the expression of our intent and purpose – but is not the same!

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## Lessons from application



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### VOICE OF EXPERIENCE

- Authentic voice of the participants is a powerful catalyst for change
- Well understood methodology and discipline – use them
- Critical to prioritise time spent on empathy research and communicating widely with the team
- Empathy is at the level of the issue – not the solutions
- Continue to co-design to explore possibilities and describe the desired future
- Be very careful on the level and depth of co-design: can become micro-change rather than macro-change
- Solution development requires expertise and experience

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## Lessons from application



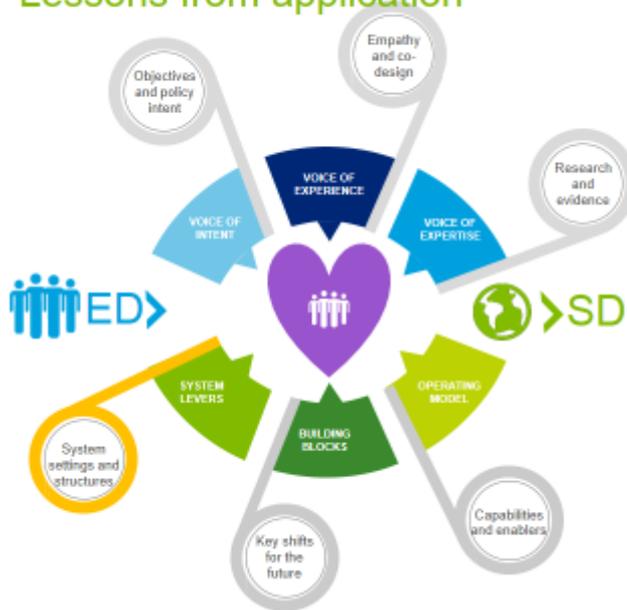
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### VOICE OF EXPERTISE

- We are rarely starting from a blank sheet of paper
- Truly wicked problems have a vast body of knowledge on root causes, possible interventions and critical success factors
- Human centred design does not mean innovating in a vacuum- pilot and test based on learnings
- Think laterally about your sources of research and expertise
- Do not compromise the quality and depth of research – wicked problems don't need lightweight solutions

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## Lessons from application



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### SYSTEM LEVERS

- Understanding the current performance and mechanics of the system is critical
- The current system creates the current experience – you must understand the points of leverage
- System levers to consider:
  - Outcomes / objectives
  - Measures of success
  - Organisational boundaries
  - Governance arrangements
  - Commissioning and purchasing models

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## Lessons from application



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### BUILDING BLOCKS

- Big enablers... key shifts... fundamental changes... these capture what is changing
- Identify the anchor points around which to turn the system  
(these are often the 'root causes' from the system levers work)
- The glue that holds the experience design and the system design together
- Not outcomes in themselves – but a means of achieving the outcomes
- Taken together, they must deliver the full change

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## Lessons from application



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### OPERATING MODEL



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## Lessons from application



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### OPERATING MODEL

- Building blocks will drive a series of implications to each layer of the operating model
- This is an opportunity for 'organisation level' innovation – looking at leading practices and innovations that will change *how* the building blocks are delivered
- In system level change, the layers most impacted are likely to be:
  - customer and service definition, *people*
  - (culture, leadership, mindsets), *partners*
  - (delivery models), and *information* (metrics, flows, access and use)

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## Putting it all together – an example



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# The Evolution and Ecosystem of Social Innovation in Aotearoa and the Pacific

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## **Simon Harger-Forde**

Director  
Innovate Change  
Auckland, NZ  
simon@innovatechange.co.nz

## **PRESENTER**

Simon Harger-Forde is Director, Innovate Change. He has a background in social work, child and youth development, public health, and health care policy, planning and funding. He has worked in the New Zealand and UK health and social sectors and in NGOs in both New Zealand and overseas for the last 18 years. Simon has managed a youth-led primary healthcare service, worked in policy roles in central government, and in senior roles leading the planning and funding of primary and community healthcare. He led the NZ HIV prevention response as Director HIV Prevention and International at the New Zealand AIDS Foundation which included a significant move to a social marketing model. Simon is the founding director of Innovate Change.

## **PRESENTATION SYNOPSIS**

While a global movement and discipline, social innovation in Aotearoa and the Pacific remains a new way of working and responding to social challenges.

Innovate Change is a social innovation agency that uses creative and participatory processes to design, deliver and review policies, programmes and services that improve health, wellbeing and social outcomes. The agency has been working on social innovation projects for the past four years in Aotearoa and the Pacific, and has worked with six government agencies, three international agencies, six local government and district health boards, and 17 philanthropic and non-government organisations. Innovate Change has also participated in conversations, hosted events and been part of the rapid growth in popularity of social innovation, social entrepreneurship, social enterprise, design for social innovation, and service design for social good.

Based on this experience, the session will first focus on sharing thoughts on what the necessary mindsets are for social innovation to thrive. These mindsets will be focussed on 'ways of being' for social innovation practitioners.

The second part of the session will draw on, and bring to light, the experiences and opinions of participants to build a shared understanding of ecosystem factors and components necessary for social innovation to thrive and grow as an effective and powerful way of responding to social challenges in Aotearoa and the Pacific.

The session will use highly participatory processes commonly used in our social innovation projects.

# PRESENTATION







## curiosity

<http://www.innovatechange.co.nz/news/curiosity>



## people are the experts

<http://www.innovatechange.co.nz/news/people-are-the-experts>



**learning by doing**



**being in the grey**

<http://www.innovatechange.co.nz/news/2015/8/21/being-in-the-grey>



**willingness to fail**

**innovateCHANGE**  
creative solutions for social issues

[www.innovatechange.co.nz](http://www.innovatechange.co.nz)

@innovate\_change

### III. Plenary Session

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## Social Innovation and New Pathways to Social Change- First Insights from the Global Mapping

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#### **Jürgen Howaldt**

Professor  
TU Dortmund University  
Germany

#### **Antonius Schröder**

Senior Researcher  
TU Dortmund University  
Germany

### PRESENTERS

**Prof. Dr. Jürgen Howaldt** is Director of Sozialforschungsstelle Dortmund, TU Dortmund University and professor at the Faculty of Economics and Social Sciences. He is an internationally renowned expert in the field of social innovation. He has consulted German as well as European policy-makers and has also presented his concept of social innovation in all parts of the world. In 2011 he was one of the organizers of the international conference “Challenge Social Innovation” in Vienna. Member of the Science Forum Ruhr; Affiliate of SIERC (Social Innovation and Entrepreneurship Research Centre, Massey University, New Zealand); Co-founder of the European School of Social Innovation; Expert of the German Federal Chancellor’s Dialog for the Future; Scientific Coordinator of the global research project SI-DRIVE, funded within the 7th Framework Programme of the European Commission.

**Antonius Schröder** is a senior researcher at Technische Universität Dortmund and member of management board of the Sozialforschungsstelle sfs (central scientific unit of the University of Dortmund), responsible for international research. He is the coordinator of the European funded 7th Framework large scale project SI-DRIVE - Social Innovation: Driving Force of Social Change and has worked in and managed several European projects (mainly in the Lifelong Learning Program). He is Vice-Chairman of Working Group People within the European Steel Technology Platform ESTEP and the Chair of the senate of the German Sociologists Association BDS.

### PRESENTATION SYNOPSIS

The importance of social innovation in successfully addressing social, economic, political and environmental challenges of the 21st century is recognised not only within the Europe 2020 strategy but also on a global scale. However, despite this growing awareness of the significance of social innovation, there is still no sustained and systematic analysis of social innovation, its theories, characteristics and impacts. As a novel approach to address complex problems in global health,

social care, education, energy, and environmental policies, social innovation has been embraced by stakeholders and communities on the local, regional and even national level.

But what are the conditions under which social innovations flourish? Who are the stakeholders? How do social innovations diffuse and lead to social change? What are the success factors for assessing social innovations in communities, cities, regions, and states?

In light of the increasing importance of social innovation the paper looks at the theoretical concepts, areas of empirical research and observable trends in the field of social innovation on a global scale. On the basis of the first theoretical and empirical results the global research project SI-DRIVE gives an overview of the current situation and the perspectives of social innovation research.

Based on the results and indicators of a first theoretical review SI-DRIVE conducted a global mapping of more than 1.000 Social Innovation cases in 12 major world regions giving a novel empirical ground for the analysis of the regional priorities, addressed societal challenges, objectives and concepts, actors and governance, drivers and barriers, and diffusion.

## PRESENTATION



## TU Dortmund: Social Research Centre sfs at a Glance

- sfs is one of the largest and most traditional institutes of social sciences in the field of labour in Germany
- Now a central scientific unit of the TU Dortmund University
- 30 scientists are involved in research, consultation, and evaluation, focusing current topics regarding the social innovations and the world of labour
- The modern research profile aims at actively connecting science and practice
- sfs is consulting companies, politics, and associations in regional and transnational networks
- About 20 research projects per year at sfs.



## Recent EU Funded Projects on Social Innovation (7th Framework Programme / HORIZON 2020)

- f SIC – Social Innovation Community, 2016-2018, ca. 3 million Euro
  - f SI-DRIVE - Social Innovation: Driving Force of Social Change 2014-2017, ca. 6 million Euro
  - f SIMPACT – Boosting the Impact of Social Innovation in Europe through Economic Underpinnings 2014-2016, ca. 3 million Euro
  - f CASI – Public Participation in Developing a Common Framework for Assessment and Management of Sustainable Innovation 2014-2017, ca. 4,3 million Euro
  - f I-LINC: Platform for ICT Learning and Inclusion for Youth Employability and Entrepreneurship 2015-2017, ca. 1,1 million Euro
  - f euwin – European Workplace Innovation Network 2013-2015
- Supported by several regional and local projects on concrete social innovations in Germany (<http://sfs.tu-dortmund.de/cms/en/news/index.html>)



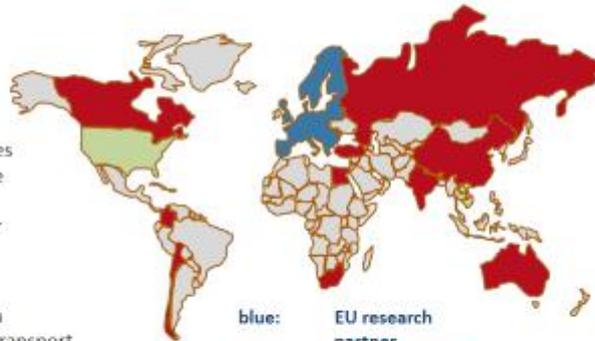
## SI-DRIVE Social Innovation: Driving Force of Social Change



[www.si-drive.eu](http://www.si-drive.eu)

SI-DRIVE involves **25 partners**: 15 partners from 12 EU Member States, 10 partners from other parts of the world, and 13 high level advisory board members: all in all **30 countries** represented.

Focus on **7 policy fields**:  
Education and lifelong learning, environment and climate change, transport and mobility, health and social care, poverty reduction and sustainable development



blue: EU research partner  
red: non-EU research partner  
green: advisory board

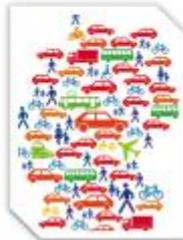
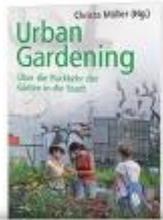
## Social Innovation: A Broad Subject



Andrea Hamm / pixelio.de



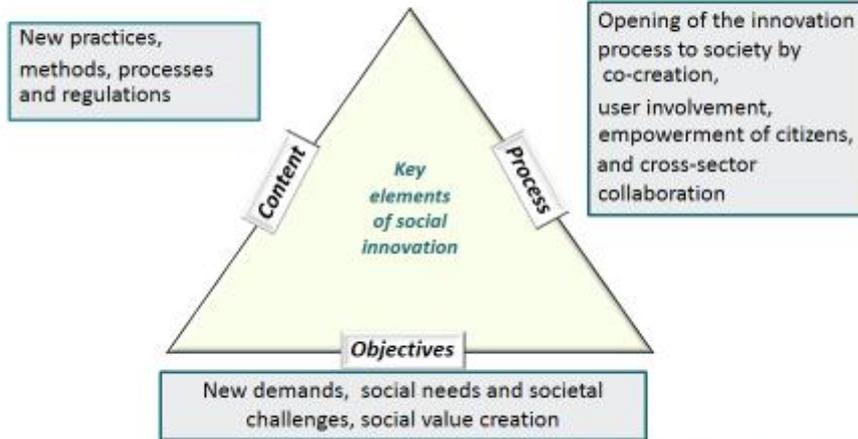
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*“The tracks of international research on innovation demonstrate that the technology-oriented paradigm – shaped by the industrial society – does not cover the broad range of innovations indispensable in the transition from an industrial to a knowledge and services-based society: Such fundamental societal changes require the inclusion of social innovations in a paradigm shift of the innovation system.”*

Vienna Declaration: The most relevant topics in social innovation research

### New Innovation Paradigm



“Although social innovations pop up in many areas and policies and in many disguises, and social innovation is researched from a number of theoretical and methodological angles, **the conditions under which social innovations develop, flourish and sustain and finally lead to societal change are not yet fully understood both in political and academic circles.**”

Jenson/Harrison



## SI-DRIVE Mission: Extending Knowledge about Social Innovation as a Driver of Social Change

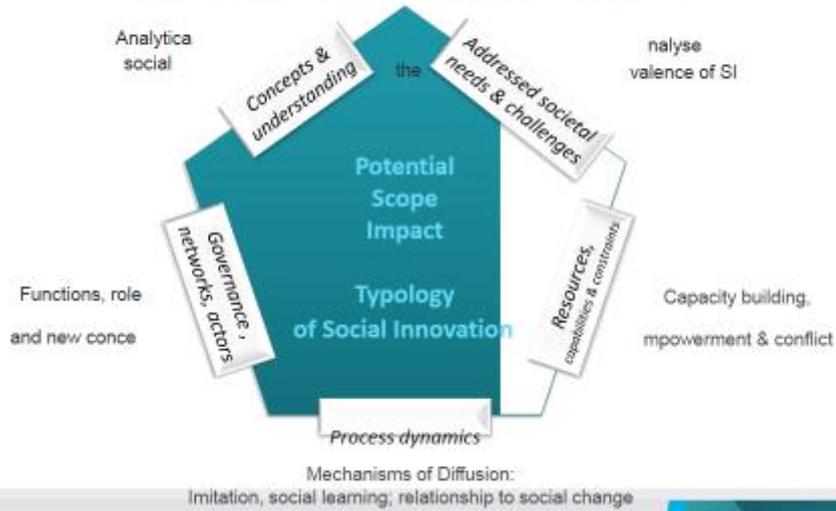
- Integrating theories and research methodologies **to advance understanding of SI** leading to a comprehensive new paradigm of innovation.
- Undertaking **European and global mapping** of SI, thereby addressing different social, economic, cultural, historical and religious contexts in eight major world regions.
- Ensuring relevance for policy makers and practitioners through in-depth analyses and case studies in seven **policy fields**, with cross European and world region comparisons, foresight and policy round tables.

## Social Innovation – Working Definition

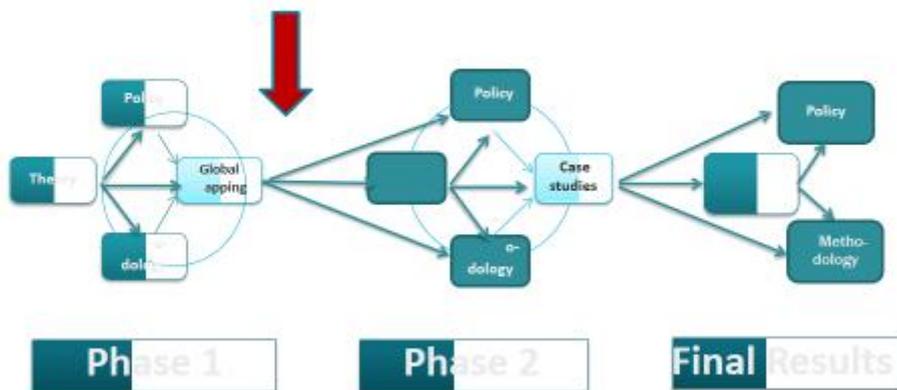
Social innovation is seen as

- f* **a new combination or figuration of practices** in areas of social action,  
*f* prompted by certain actors or constellations of actors
- f* with the goal of better coping with needs and problems than is possible by use of existing practices.
- f* An innovation is therefore social to the extent that it varies social action, and is **socially accepted and diffused in society**.
- f* Depending on circumstances of social change, interests, policies and power, social ideas as well as successfully implemented SI may be **transformed and ultimately institutionalised as regular social practice or made routine**.

### Five Key Dimensions of Social Innovation



### Iterative Process: Two Empirical Phases Based on and Feeding Theory – Methodology – Policy Development



## Combining Quantitative and Qualitative Research Baseline Mapping Activities

The first empirical phase (baseline mapping; general scan of social innovation practices) is consisting of five elements:

1. Regional reports
2. Policy field reports
3. Global Mapping  
(Database of 1.000+ SI cases)
4. Social Innovation Database  
Screening
5. Additional: Explorative Policy  
and Foresight Workshops



## 1.005 SI Cases all over the world

Region,  
where the  
initiative was  
implemented



47 cases N/A

## Addressed Societal Needs and Challenges at a Glance

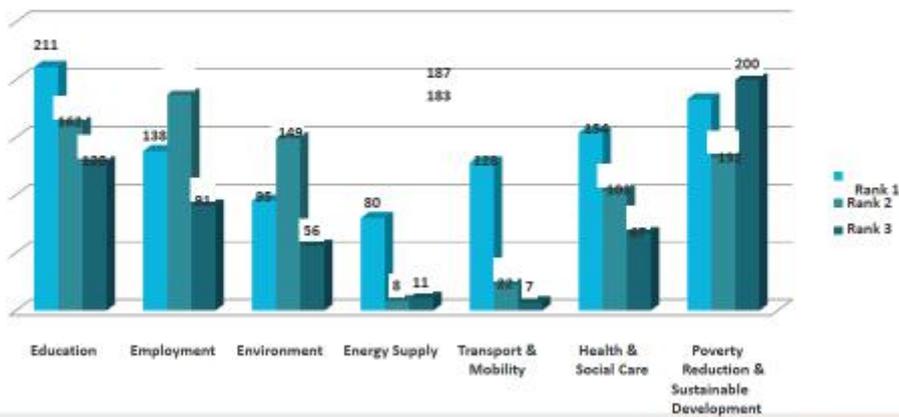


Referring to the SI-DRIVE definition a wide range of social innovations appear with a strong relationship to social demands, unmet social needs and societal challenges.

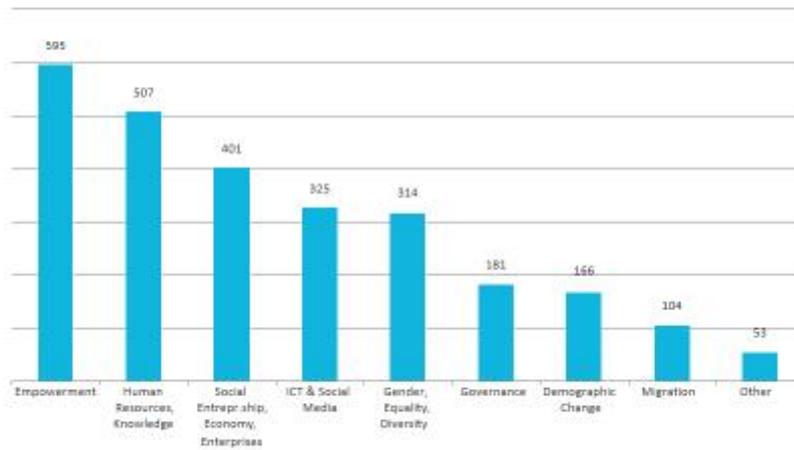
A high diversity of addressed social needs and societal challenges appear in the seven policy fields.

The social innovation initiatives are mostly related to more than one policy field, covering different crosscutting themes, esp. empowerment and human resources.

## Policy Fields the Initiative is Addressing



### Cross-Cutting-Themes the Initiatives are Addressing



### Concepts and Understanding at a Glance



- Based on the SI-DRIVE definition a highly diversified list of practice fields and social initiatives are emerging – with increasing importance but often not appearing as “Social Innovation”.
- Almost half of the initiatives are creating brand new solutions, one third is moderately modifying existing ones.
- Social demands and societal challenges are the main addressed societal level, but one of five initiatives are addressing systemic change as well.

## Increasing Importance and Undeveloped Potential

The policy reports revealed the **strong need for social innovation in the seven policy fields.**

### But at the same time

“... policy field related documents of public authorities such as the European Commission, the United Nations, the OECD, the World Bank, etc. often do not refer to social innovations (exceptions are Horizon 2020 documents as well as publications of other DGs such as DG Employment, Social Affairs and Inclusion and DG Internal Market, Industry, Entrepreneurship and SMEs).”

Source: Compiling report

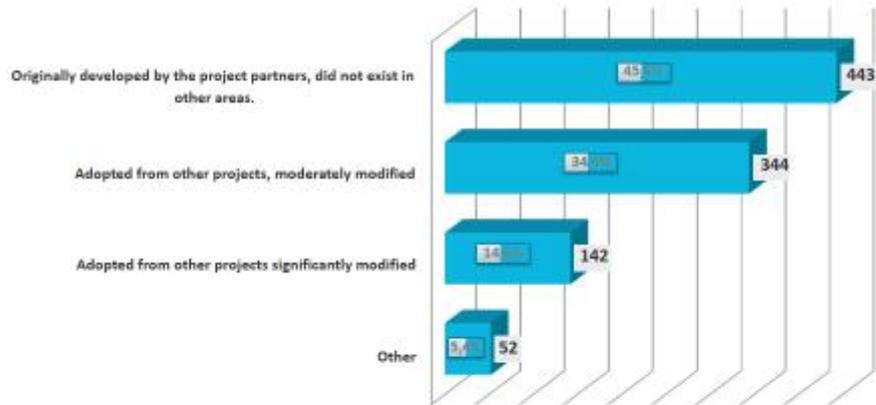
## Unclear Understanding of the Concept of Social Innovation

“Thus, a *broad spectrum of social innovations* is present in the policy fields.

All policy field reports, in addition, notify an *unclear understanding of the concept of social innovation*, report on social innovations in their policy fields even if they are not called social innovations and call for further social innovations to respond to the societal challenges the world is facing.”

Source: SI-DRIVE Compiling Report

### Innovative Character of the Solution



### Societal Level Addressed by the Initiative

Policy Field	Social Demand	Societal Challenge	Systemic Change
Education	149 42,2%	105 29,7%	99 28,0%
Employment	83 47,7%	68 39,1%	23 13,2%
Environment	55 33,7%	66 40,5%	42 25,8%
Energy Supply	50 36,8%	67 49,3%	19 14,0%
Transport & Mobility	73 45,9%	61 38,4%	25 15,7%
Health & Social Care	127 47,2%	96 35,7%	46 17,1%
Poverty Reduction	140 45,3%	116 37,5%	53 17,2%

## Main Practice Fields of Social Innovations (Mapping)

### Education and Lifelong Learning:

- New learning arrangements, interactive education (35)
- Reduction of educational disadvantages (33)

### Employment:

- Job search support and matching (43)
- Training and education (31)

### Environment:

- Alternative sustainable food production and distribution (24)
- Protection and restoring of ecosystems and biodiversity (19)

### Energy Supply:

- Energy collectives (34)
- Providing examples and inspiration (16)

### Transport and Mobility:

- Managing multimodality (16)
- Car sharing (15)

### Health and Social Care

- New models of care (44)
- E-health, m-health (21)

### Poverty Reduction and Sustainable Development

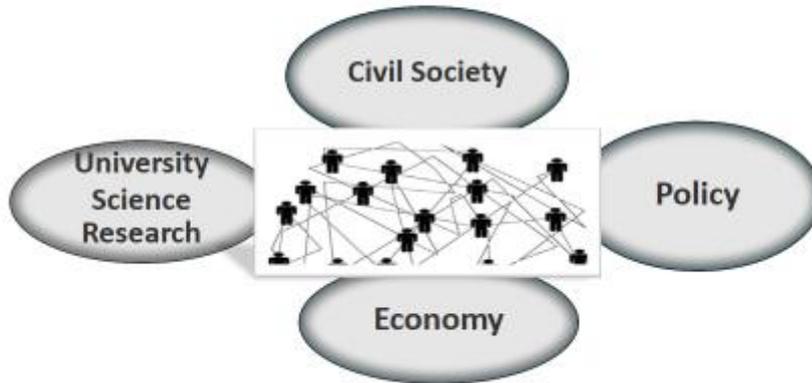
- Tackling disadvantage, vulnerability, discrimination (44)
- Tackling lack of integrated support to the poor or excluded (20)

## Governance, Network and Actors at a Glance

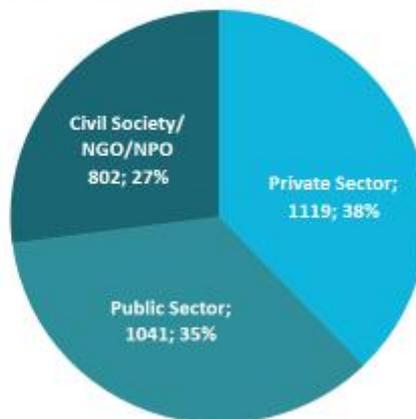


- All three sectors (public, private, civil) and all four actor areas of the social innovation eco-system are represented, across all the policy fields.
- NPO/NGO, public actors and private companies are the main actors.
- Funding but also idea development and knowledge are the main types of support delivered by the actors within the initiative.
- In almost half of the initiatives there is a direct user / beneficiary involvement.
- Social initiatives are often related to networks, social movements, umbrella organisations, and policy programmes.

## Ecosystems of Social Innovation Development of new Alliances / Cross-sector Fertilization



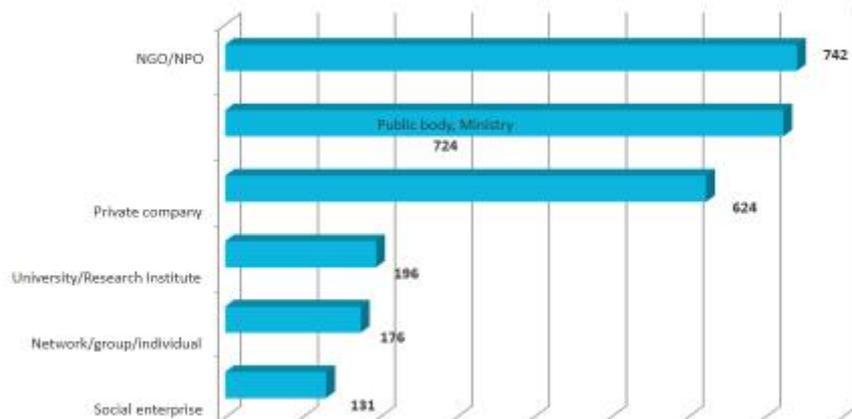
## Sectors of the Involved Partners



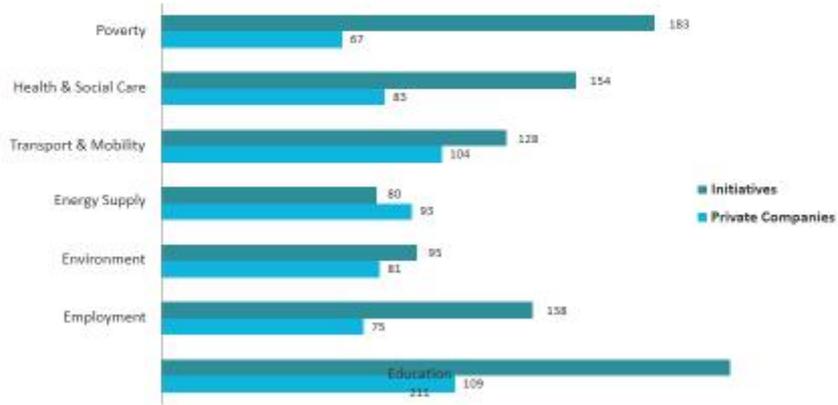
### Sectors actively involved in the specific policy fields

Policy Field	Public Sector	Private Sector	Civil Society/NPO/NGO
<b>Education</b>	154 34,1%	145 32,1%	153 33,8%
<b>Health &amp; Social Care</b>	120 36,9%	89 27,4%	116 35,7%
<b>Employment</b>	102 33,0%	106 34,3%	101 32,7%
<b>Poverty Reduction &amp; Sustainable Development</b>	114 30,7%	103 27,8%	154 41,5%
<b>Transport &amp; Mobility</b>	98 37,4%	89 34,0%	75 28,6%
<b>Environment</b>	55 25,1%	82 37,4%	82 37,4%
<b>Energy Supply</b>	57 30,2%	66 34,9%	66 34,9%

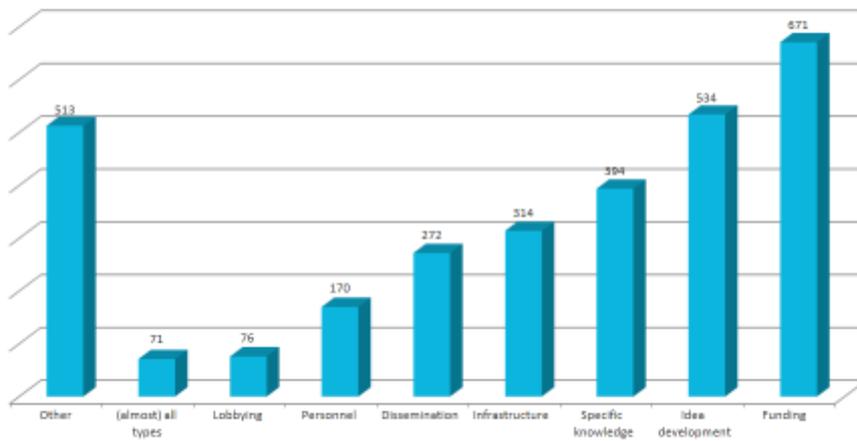
### Type of Partners



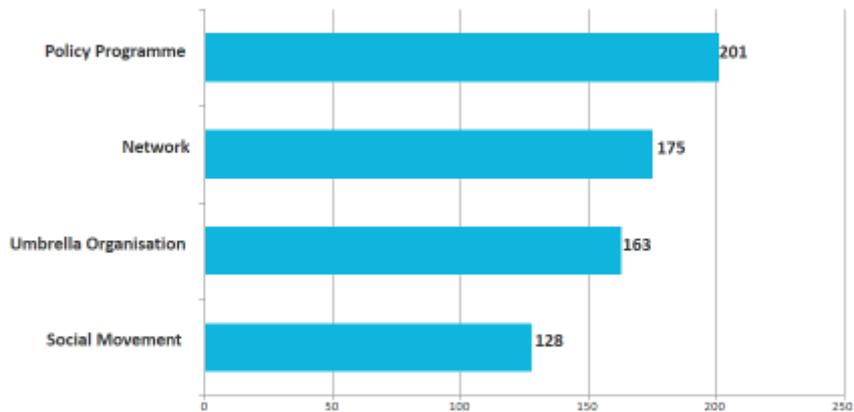
## Private Company Participation in Policy Fields



## Partners: Type of Support



### Initiative Related to...

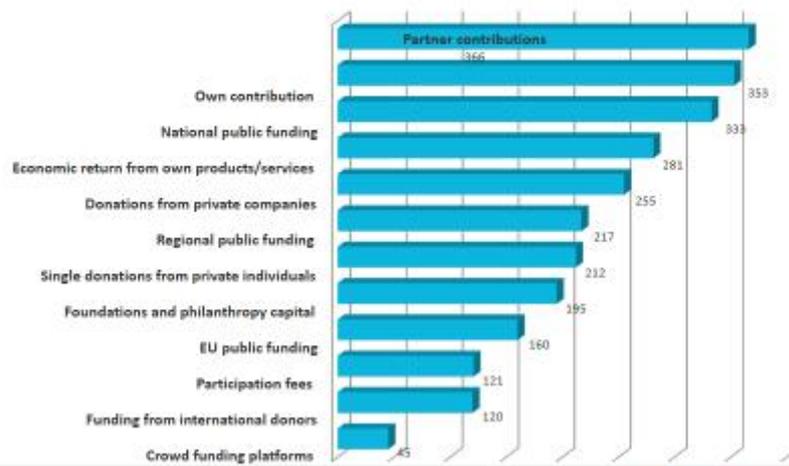


### Resources, Capabilities and Constraints at a Glance

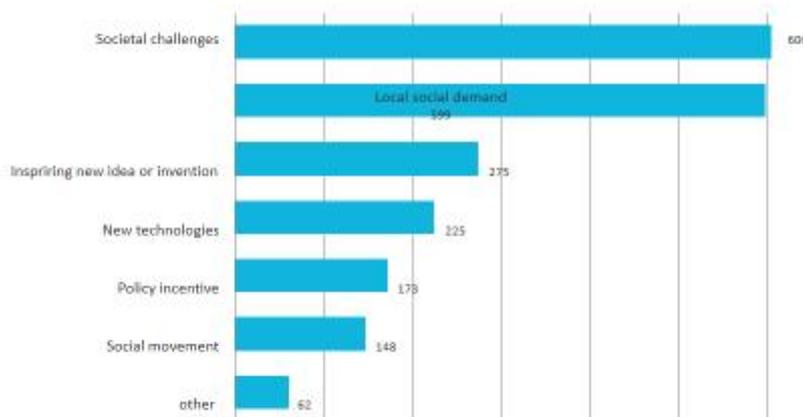


- Social Innovations are funded by different sources: own resources and contributions of the partners as well as public, civil and private funding. Note: Economic return from own products and services are relevant as well.
- Societal challenges and local social demands are the main drivers as well as individual persons, groups and networks.
- Main barriers are funding challenges, lack of personnel, knowledge gaps and legal restrictions.

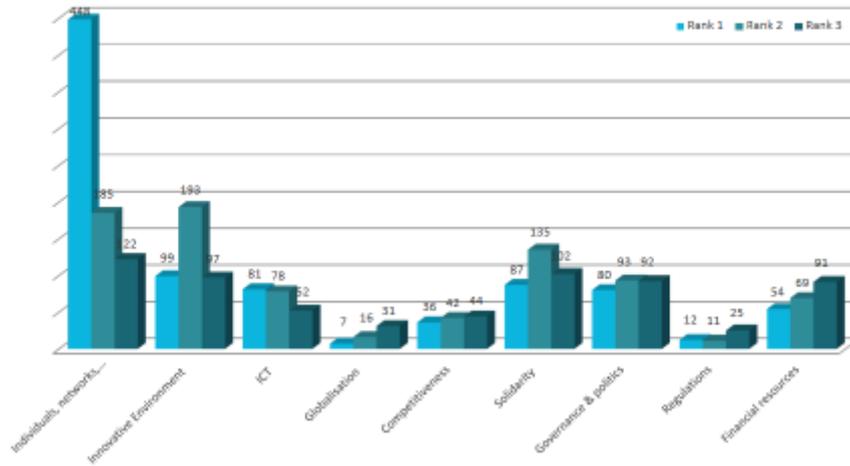
## Funding Sources



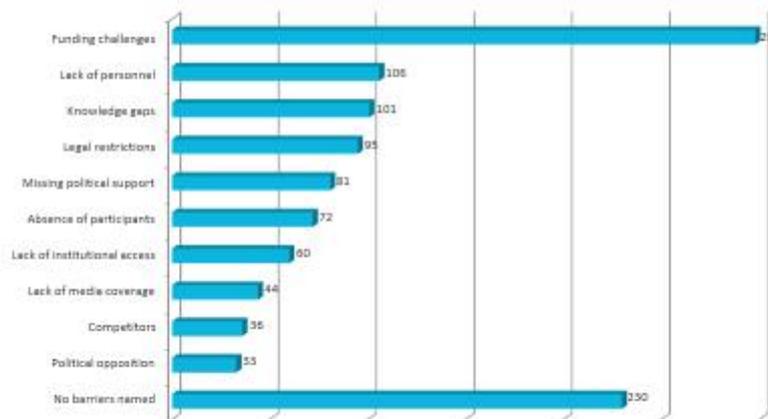
## Motivators/Triggers



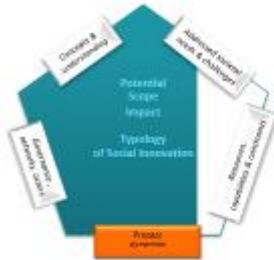
### Drivers



### Main Barriers

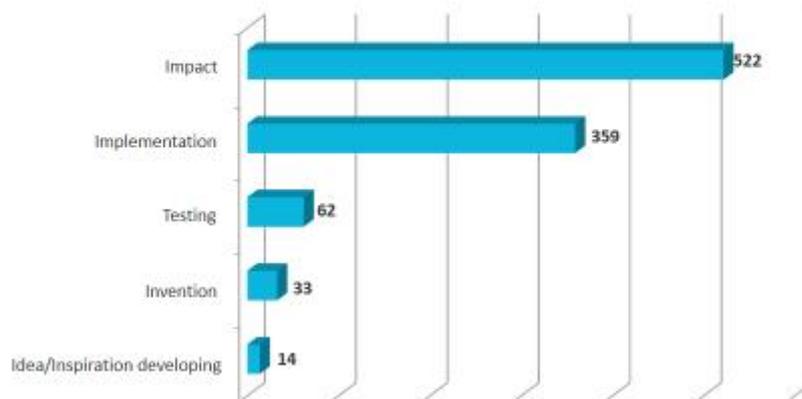


### Process Dynamics at a Glance

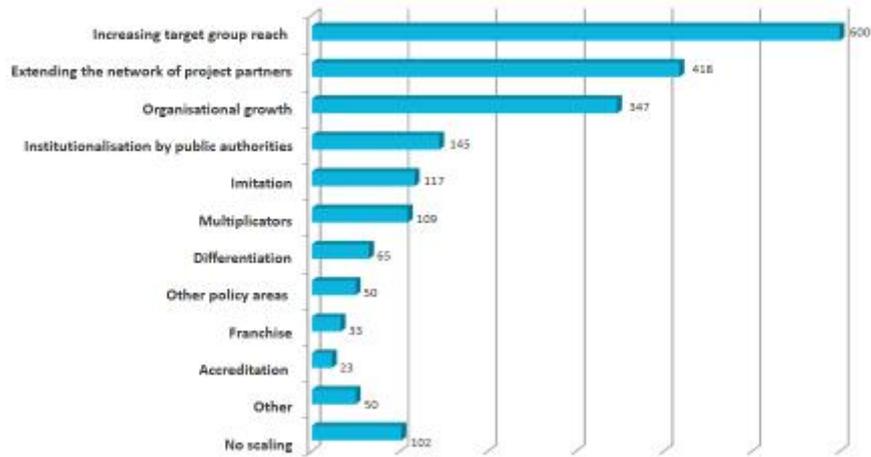


- Most of the Social Innovations are running since ten years, more than half are generating impact, one third are already in the implementation phase.
- Although mainly all initiatives are scaling there is almost no or limited (local, regional) transfer of the solution.
- Transfer and scaling is done mainly within the initiatives (extending target groups and network, growth) and by the project partners.

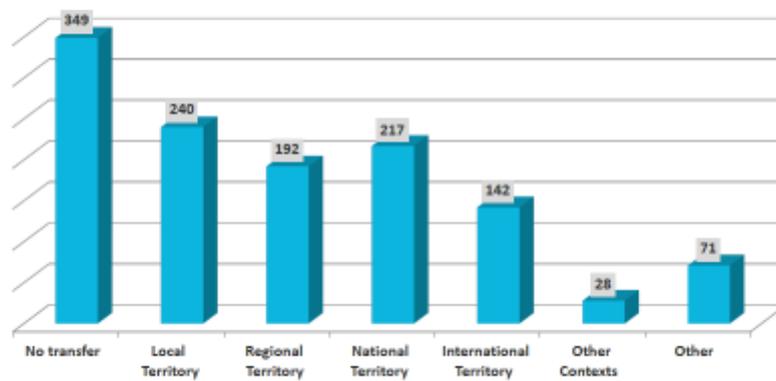
### Current Project Stage



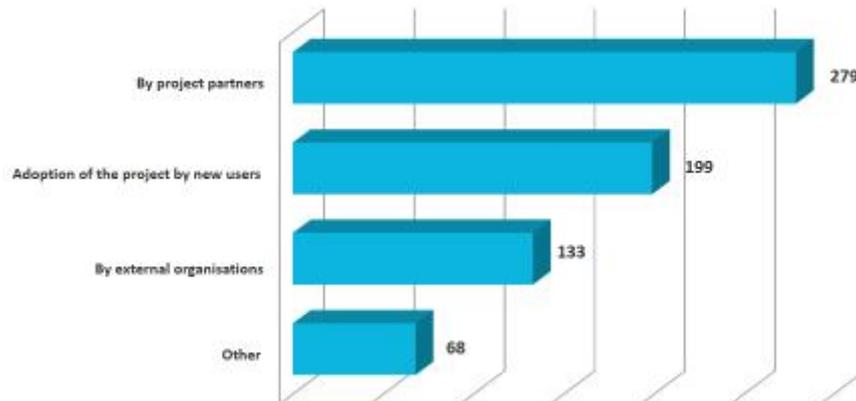
### Scaling through...



### Geographical Transfer of the Solution



## Type of Transfer



## Conclusions for Impact

- Main drivers are (local) **social demands and societal challenges** as well as **individuals/groups/networks**. One of five initiatives are intending **social change**.
- To overcome social demands and societal challenges **cross-sector collaboration** is crucial, actively involving public, economic and civil society partners (including active user/beneficiary involvement)  $\hat{=}$  **social innovation eco-system**.
- Two of three **initiatives are embedded** in networks, social movements, umbrella organisations or policy programmes  $\hat{=}$  **guaranteeing impact**.
- There is a **mix of funding sources**, but **funding is by far the main challenge**.
- **Empowerment, human resources, knowledge** are the main crosscutting themes – a lack of personnel and knowledge gaps are main barriers as well as legal restrictions  $\hat{=}$  **human resources are a main source for increasing impact!**
- Brand new practices appearing as well as **copying new solutions** by modifications. Although almost all initiatives are scaling, there is **no or limited (local, regional) transfer**. Transfer and scaling is done mainly within the initiatives and by the project partners.  $\hat{=}$  **looking for new ways of transfer and imitation to improve impact!**

## Systemic View on Social Innovation

**To understand** the modes of governance of social innovation, a focus should be on networks and their actor constellations, modes of cooperation and communication channels.

**To develop** an integrated understanding of the role of various actors in social innovation, a broader concept is needed that appreciates social entrepreneurship but also takes account of other actor types.

**To establish** a systemic view upon social innovation.

## Key question

*“Many variations of social behaviour have an volatile character. They do not lead to permanent changes in culture, technology and social organisation...”*

**(Burns et al. 1995, 350).**

*“Why do ten of hundred different at the same time conceived innovations diffuse (...) while ninety are passed into oblivion?”*

**(Tarde 2003: 163)**

## Social Innovation Moves to the Mainstream



## Establishment of a Global Community for Social Innovation Research





**Thank you very much.**

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## IV. Panel Session

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### Providers & Users of Impact Investment: Growing the NZ Market

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#### PRESENTATION SYNOPSIS

Impact investing is an emerging capital market across the globe, entailing unique impediments and opportunities for market participants. Certain impact investment markets, notably the England and Scotland, are significantly advanced in comparison to NZ's nascent market. While NZ can look to more advanced markets for guidance, or even across the Tasman, the local market has unique characteristics. The panel comprises both users and providers of impact investing to provide balanced insights on how to best grow NZ's market. Noted panellists will discuss their views on what's working and what's not, with a common view of further developing and driving forward NZ impact investing for the benefit of all.

#### 1200-1205 Panel Introduction

Emma Geard - Ākina Foundation  
Jeffrey Stangl – SIERC, Massey University

#### 1205-1240 Panellist Viewpoints:

Dave Allison (Impact investing programme at the Ākina Foundation)  
Anna Guenther (CEO, PledgeMe)  
Ben Knight (co-founder, Loomio)  
Roy Thompson (co-founder, New Ground Capital)  
Frances Ronowicz (Head of Commuony Finance, BNZ)

#### 1240-1300 Questions and Answers

Panellist Questions:

What is the role of impact investment funds  
What is the state of the market in New Zealand?  
What are the barriers to growing a market?  
What are some strategies that could be implemented to help catalyse the market?  
What is the role of government in growing the market?  
How do investors and investee organisations protect against mission drift?

## **Panel Moderators:**

### **Dave Allsion - Ākina Foundation**

Dave specialises in raising funds and growing start-up businesses. He has a science and accountancy background and also manages Wellington's angel investment group – Angel HQ.

### **Emma Geard - Ākina Foundation**

Emma is part of the impact investing team. She is responsible for developing Ākina's Impact Investment Programme, and strategy for government engagement.

### **Dr Jeffrey Stangl – Massey University**

Jeffrey is a finance researcher at Massey University, specializing in investments, financial literacy, and social finance.

**The video for this special session is available at the following link:**

<http://webcast.massey.ac.nz/Mediasite/Play/22b3925a045c44799d2b3d122d99d9961d>

## V. Contributed Papers

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### Business Models and Logics

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#### **Mission Impossible? Reconciling the Conceptualization and Articulation of Social Mission**

**Kate V. Lewis**

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New Zealand Social Innovation and Entrepreneurship Research Centre  
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Colette.Henry@dkit.ie

#### **Abstract**

This paper critically explores the concept of social mission. Our research question is twofold: how is social mission conceptualized in contemporary social enterprise scholarship? How does such conceptualization reconcile in practice with published mission statements? Given the growing importance of social enterprise as an avenue of scholarly inquiry, and Government's continued reliance on social enterprises to solve complex, expensive social problems on its behalf, this study is both strategically important and contemporarily relevant.

While broadly considered to be an under-researched phenomenon, literatures on social enterprise have undoubtedly augmented in recent years (see Doherty et al., 2014 for a comprehensive review). However, with few exceptions (Ormiston & Seymour, 2011; Stevens et al., 2014) the empirical articulation of social mission has not been the subject of concerted academic attention. Social enterprises are different to commercial enterprises (Corner & Ho, 2010; Mair & Noba, 2006; Shaw & Carter, 2007), therefore, their mission statements will be different.

Social enterprises are based on the need to create social value: to benefit the local community by solving a social problem. As a consequence, creating social (rather than personal/stakeholder) value is their main driver. However, with great 'mission' comes great 'responsibility', including that of achieving the financial sustainability to maintain the 'value' (Weerawardena & Mort, 2006). Further, social value is not easy to define (Lehner & Kansikas, 2012) or measure (Moray et al., 2008). Ultimately, it is social mission and the overwhelming desire to "resolve societies' unmet needs" that distinguishes social from commercial enterprises (Dees, 1998).

# The Emergence of Commercial Business Models and Logics within Not-for-Profits

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## ABSTRACT

With increasingly uncertain income available from government and the public, many not-for-profits develop commercial revenue streams to increase their autonomy and sustainability. Yet few seem to be commercially successful and the disruptive challenges of bringing commercial processes into not-for-profits underestimated. Using complexity theory, supported by a business model framework and institutional logics theory, this research examines how not-for-profits develop social enterprises and specifically, how they navigate the complexity of introducing a commercial business model and logics into a social organisation and how they might configure themselves culturally and structurally in response.

## KEYWORDS

Social enterprise, not-for-profit, complexity theory, institutional logics, business model.

## INTRODUCTION

With increasingly uncertain income available from government and the public, many not-for-profits<sup>1</sup> develop commercial revenue streams to increase their autonomy and sustainability (Morris, Coombes, Schindehutte, & Allen, 2007). Although it is unclear how many not-for-profits explore commercial income opportunities, it is argued that while many, perhaps most not-for-profits have considered this option, few are commercially successful (Oster, Massarsky, & Beinhacker, 2004). The disruptive challenges of bringing commercial innovative processes into not-for-profits are often underestimated (Kirkman, 2012).

Although many writers reserve the term 'social enterprise'<sup>2</sup> for a stand-alone hybrid (Battilana & Dorado, 2010), social enterprises can and do exist within not-for-profits (Young, 2001). With their existing infrastructure, not-for-profits may be a useful incubator, but much remains to be learned about how social enterprises might be successfully generated in this context.

This research is interested in how not-for-profits develop social enterprises and specifically, how they navigate the complexity of introducing a commercial business model and logics into a social organisation and how they might configure themselves culturally and structurally in response. To answer the research questions, this study employed complexity theory as the primary theoretical lens, supported by a business model framework and institutional logics theory. Complexity theory emphasises the interconnected, nonlinear and therefore unpredictable emergent order occurring at

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<sup>1</sup> Not-for-profit is the term most commonly used in New Zealand to refer to all organisations that primarily exist to increase social good rather than generate personal wealth

<sup>2</sup> Social enterprises are businesses that trade to tackle social problems, improve communities, people's life chances, or the environment. They make their money from selling goods and services in the open market, but they reinvest their profits back into the business or the local community (Social Enterprise UK).

multiple levels within dynamic systems, like social enterprises, that are in a state of continual change and at risk of instability (Lichtenstein, 2011). The business model framework was selected because it outlines the logic of core business operations and enables the examination of the development of the social enterprise over time (McGrath, 2010; Osterwalder, Pigneur, & Tucci, 2005). The field of institutional logics was selected because this provides a pivotal lens for understanding the changes in the essential nature or way of being required within a not-for-profit when introducing a commercial logic.

This paper first outlines the research method and then provides an overview of the theoretical lenses used. In light of theory and research data, it suggests a typology of ideal for-profits and not-for-profits as a means to distinguish between the organisations and therefore clarify some of the changes required of the not-for-profit. Then, based on complexity concepts, a model is presented that attempts to explain the process of accommodating a commercial business model and logics into a social organisation, using data from four social enterprises in New Zealand.

## RESEARCH METHOD

**Table 1: Case Studies Overview**

Social Enterprise (SE)	Not-For-Profit sector	NFP Age	Staff in NFP	Social Enterprise (SE) age	Staff in SE	Full time/ Part time	Volunteers used in SE
Public café	Social development	1860	300	2010	8	Mixed	Yes
Publisher	Early childhood education	1943	500	2012	9	Mixed	Yes
Change consultancy	Mental health	1980	140	2010	9	Mixed	Yes
Electronic recycling	Environment	2003	20	2012	3	Part time	No

Theoretical development in social enterprise is still nascent and therefore this research has used a qualitative approach and an abductive strategy, employing semi-structured interviews of a representative cross-section of personnel and document analysis in four case studies. As can be seen in Table 2, a total of 59 expert, individual and focus group interviews were held over four periods in an eighteen month period and a total of 39 documents analysed to determine whether emergent themes were prevalent or unique. The Business Model Canvas (Osterwalder & Pigneur, 2009) was tracked for all interviews in four well-established not-for-profits, with variability in size, sector and length of history, that have been developing their first social enterprise during the past five years and were still in this development process.

Table 2: Numbers of research interviews and documents

Type of Interview	Expert	Individual Interviews	Group	Documents
The cafe	1	19	6	5
The publisher	1	9	2	9
The consultancy	1	7	8	21
The recycler	1	2	2	4
Total	4	37	18	39

Table shells developed from theory helped to form initial codes. Emergent codes were then iteratively developed from research participants' descriptions, shaping further data collection (Eisenhardt, 1989). After the within-case analysis looked for patterns for each organisation within each time period, a cross-case analysis looked at where the data between case studies over time related to each other and whether they showed similarity or contrast (Yin, 2009). Tables, maps and diagrams were used to view the data in multiple ways to avoid staying with any first impressions. First order themes emerging from the data were then tallied with second order themes from relevant complexity, business model and institutional logics literature and were finally aggregated into key theoretical dimensions.

## COMPLEXITY

Complexity theory (complexity) prompts a subtle but significant shift in the way people see the world. Although there is no commonly accepted overarching definition, Uhl-Bien and Marion (2008) describe complexity as the study of the dynamic behaviours of interacting interdependent, networked and adaptive agents who are bound in a collective dynamic by common need, and are working under conditions of internal and external pressure, leading to emergent events such as learning and adaptations. Complexity emphasises the interconnected, non-linear and therefore unpredictable nature of complex adaptive systems (Cilliers, 2002). The world is a system that is moving and adapting both constantly and extensively. Causality is hard to isolate and prediction is therefore difficult (Allen, 2001b). Within organisations, managers have limited knowledge and less control than we previously assumed or hoped (Hazy, 2011; Maguire & McKelvey, 1999). While some work areas or levels may be relatively simple to manage, others may exist in complicated, complex or even chaotic contexts that are much less easily managed (Snowden & Boone, 2007). The experience of many social enterprises is that they are in a state of continual change and at risk of instability with insufficient resources, powerful external influences and active internal dynamics at play (Alter, 2009) and therefore are complex adaptive systems.

Academic understanding of complex adaptive systems informs us that social enterprises within not-for-profits are likely to be far from equilibrium as they are establishing a new type of business, with new skills and approaches needed. Because the commercial orientation will be new to the organisation, not-for-profit managers' information will usually be imperfect. There may be many influences on markets or production that are unexpected or unfamiliar. Both order and chaos can be expected to exist in such organisations (Lichtenstein, 2000b). Therefore, although clarity and certainty tend to be sought, tolerance must also exist for ambiguity and not knowing (Graetz & Smith, 2009; Maguire & McKelvey, 1999).

Complexity highlights the multiple perspectives that have become a feature of life in a time of globalisation, technological innovation and competition, and evident in social enterprises' dual

commercial and social goals (Kurt, 2015; Smith & Lewis, 2011)). The radical disruption of starting a social enterprise has to be managed at the same time as the remainder of the organisation is kept stable, delivering contracted services. Not-for-profits within this research have all been involved in social innovation, or organising in new ways and innovative, adaptive and entrepreneurial approaches were taken and are needed to develop these new enterprises that target social and economic benefits.

Complexity provides explanatory metaphors from the physical and biological sciences that include initial conditions, simple rules, bifurcation, attractors, self-organising, organisational fitness, fractals, feedback, emergence and adaptation, which have all been useful in understanding the inclusion of a commercial business model and logic in a not-for-profit. Four pivotal complexity constructs have been used to illustrate the accommodation and are discussed in this paper: bifurcation, initial conditions, attractor and emergence.

## **BUSINESS MODEL**

Business models provide a valuable framework to look at the social enterprise (Emerson & Bonini, 2003). Although there has been little academic consensus about the definition, nature, structure and evolution of business models, there has been some recent progress in understanding them. The business model aims to make sense of an entire business, simplifying its essence and describing how value is created, delivered and captured (Teece, 2009).

The Business Model Canvas comprises key internal and controllable features of the business architecture: customer segments, customer relationships, channels for reaching customers, value proposition(s), key activities, resources and partners delivering customer value, revenue streams and the cost structure (Osterwalder et al., 2005). These components enable business models to be compared across organisations and time (Morris, Schindehutte, & Allen, 2005).

## **INSTITUTIONAL LOGICS**

Institutional logics refer to the overarching principles of how an institution or organisation essentially works (Greenwood, 2008). Emerging over time through social interaction, these logics are “socially constructed, historical patterns of material practices, assumptions, values, beliefs and rules” that shape behavioural choices, especially in times of ambiguity and uncertainty (Thornton & Ocasio, 1999: 804). Because of the ingrained nature of institutional logics, organisational personnel<sup>3</sup> commonly respond unconsciously to these different logics and prescriptions: they are simply a way of being and the way the world is seen (Greenwood, Raynard, Kodeih, Micelotta, & Lounsbury, 2011).

Many organisations may have multiple logics, even if they are not consciously acknowledged (Besharov & Smith, 2014). Not-for-profit examples may include management, volunteer and social worker logics, each of which has its own assumptions, proffering different solutions for challenges (Kreutzer & Jäger, 2011). Often however, these logics morph into a dominant logic that accommodates differences and serves to provide clarity and consistency in action.

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<sup>3</sup> The term personnel is used to refer to all the people who work for the organisation, including staff, volunteers, management and board members

Now that conceptualising the institutional logics of organisational forms is possible (Greenwood, 2008), this research focusses on understanding the distinctions of only two logics in a specific setting: the commercial and social logics that coexist within social enterprises. In this way, the complex transformation undertaken by the not-for-profit generating commercial revenue may be better understood.

There is a question of whether there is, or ever can be, clearly distinct logics or identities for not-for-profits and for-profits. Like for-profit organisations, the sheer range and number of larger not-for-profit organisations means that universal conclusions cannot be easily drawn. Some writers argue that there is no clear or absolute distinction between the social and economic roles of organisations and that all organisations demonstrate commercial and social aspects to some degree on a continuum, rather than in a duality (Battilana & Dorado, 2010; Dees & Elias, 1998). Certainly, overlaps in function between not-for-profits and for-profits are considerable, including mission focus, governance, strategy, finance, operational management, and personnel development (Dees & Elias, 1998; Drucker, 1989).

Nevertheless there is a strong argument that for-profits and not-for-profits do have fundamentally different ways of being that still need to be understood if we are to explain how both logics can be accommodated in social enterprises that are often significantly smaller than the not-for-profit and peripheral to its core functions (Battilana & Lee, 2014; Besharov & Smith, 2014). (Battilana & Dorado, 2010; Peattie & Morley, 2008). If simplified to representative archetypes, some generalisations can be made that depict inherent differences in approach that enable us to see what is being accommodated more clearly.

Drawing from a wide range of literature, this next section outlines the key logics, drawn from both the research data and literature that capture the defining features of the logics of not-for-profits and for-profits, summarised as the values-based mission and the market focus. Some of the literature cited in this paper does not specifically use the term institutional logics but nevertheless reflects on the nature or characteristics of the organisational form.

### ***Social logics: Values-based mission***

Social and ethical values, beliefs and practices typically lie at the heart of not-for-profits striving to make a difference (Anheier & Kendall, 2001; Social Enterprise Alliance, 2010). Their social mission is built around moral beliefs about the long-term approach to mitigate social need (Gidron, Hasenfeld, & Palgrave, 2012). Profit can be seen negatively by some and perhaps even as a generic source of the social problem (Dees, 2012; Knutsen, 2013). Not-for-profits are typically supported by government contracts in addition to donations and grants to provide reliable and safe service provision (Young & Grinsfelder, 2011).

Harris and colleagues (2002) suggest that the values and practices of not-for-profits' often include strong stakeholder communication, democratic governance, shared consensus and commitment to the group's cause. Research participants widely agreed that consensus and meeting as much need as possible were the key features of not-for-profits. This supports those complexity writers who argue that multiple viewpoints and collaboration are essential for managing complexity (Goldstein, Hazy, & Silberstang, 2010; Schindehutte & Morris, 2009).

Other heart-led values include community, caring and compassion, ethics, loyalty, teamwork and ideology (Dees, 2012; Diochon & Anderson, 2009; Thornton, Occasio, & Lounsbury, 2012). Often

with little resource, unity of purpose and purpose among key stakeholders drives efforts to achieve and legitimise the mission (Thornton et al., 2012). Drawing on a range of writers in the not-for-profit and for-profit sectors, a succinct descriptor of operating logic differences has been developed here by isolating the primary driver, funding source and source of legitimacy. Not-for-profit: values based mission – donations/contracts – unity of purpose.

Table 3: Logics summary

Logics	Not-for-profit	For-Profit
Desired outcome	Social value	Economic value (profit)
Primary driver	Values based mission	Market preferences
Tactic	Collaborative	Competitive
Source of legitimacy	Unity of purpose	Market position
Funding source	Contracts and donations	Trading income
Stakeholders	Clients and families, funders, community	Customers, owners

Drawn from (Anheier & Ben-Ner, 2003; Boschee, 2006; Dees, 2012; Haugh, 2007; Knutsen, 2013; Liao et al., 2001; Seanor et al., 2013; Thornton et al., 2012)

### ***Commercial logics: A market focus***

#### *For profit: market preferences – trading profits – market position*

In contrast, a competitive market orientation is the primary feature of for-profits. Producers' exchanges with customers are built on cost and profit calculations and reasoning (Dees, 2012; Gidron et al., 2012), resulting in a market position that is a source of legitimacy (Thornton & Ocasio, 1999). Market research assists by gathering information on customer needs and the forces that shape those needs to enhance customer responsiveness and business growth (Liao, Foreman, & Sargeant, 2001; Morris et al., 2007). A focus on owners' efficiency urges resources to go to areas with the highest economic return, such as research and development, marketing or technology (Galaskiewicz & Barringer, 2012; Thornton & Ocasio, 1999).

In comparison, many not-for-profits have been established as a result of market failure and there is often no direct financial exchange occurring with service or product users (Anheier & Ben-Ner, 2003; Seanor, Bull, Baines, & Ridley-Duff, 2013). Not-for-profits prioritise and closely engage with clients but they often do not have the same influence or choices as a paying customer (Dann & Hollis, 2011; Wallender & Newman, 1978). Customer satisfaction may also not be required in the same way within a not-for-profit that seeks a broad and long-term benefit to society, and may even target customer or public behavioural change (Austin, Stevenson, & Wei-Skillern, 2006; Shaw & Carter, 2007). Moreover, there is commonly more need to satisfy than available funding permits (Knutsen, 2013). If demand is high, not-for-profits are much more likely to collaborate with other providers to

meet need and direct competition is rare (Liao et al., 2001). Consequently, market disciplines are often not required within a not-for-profit (Liu & Ko, 2012). Nevertheless, as was evident in all four case studies, entrepreneurial activity may be undertaken to expand service frontiers, change systems or develop a new organisation or service to create social benefit (Harris et al., 2002; Haugh, 2007).

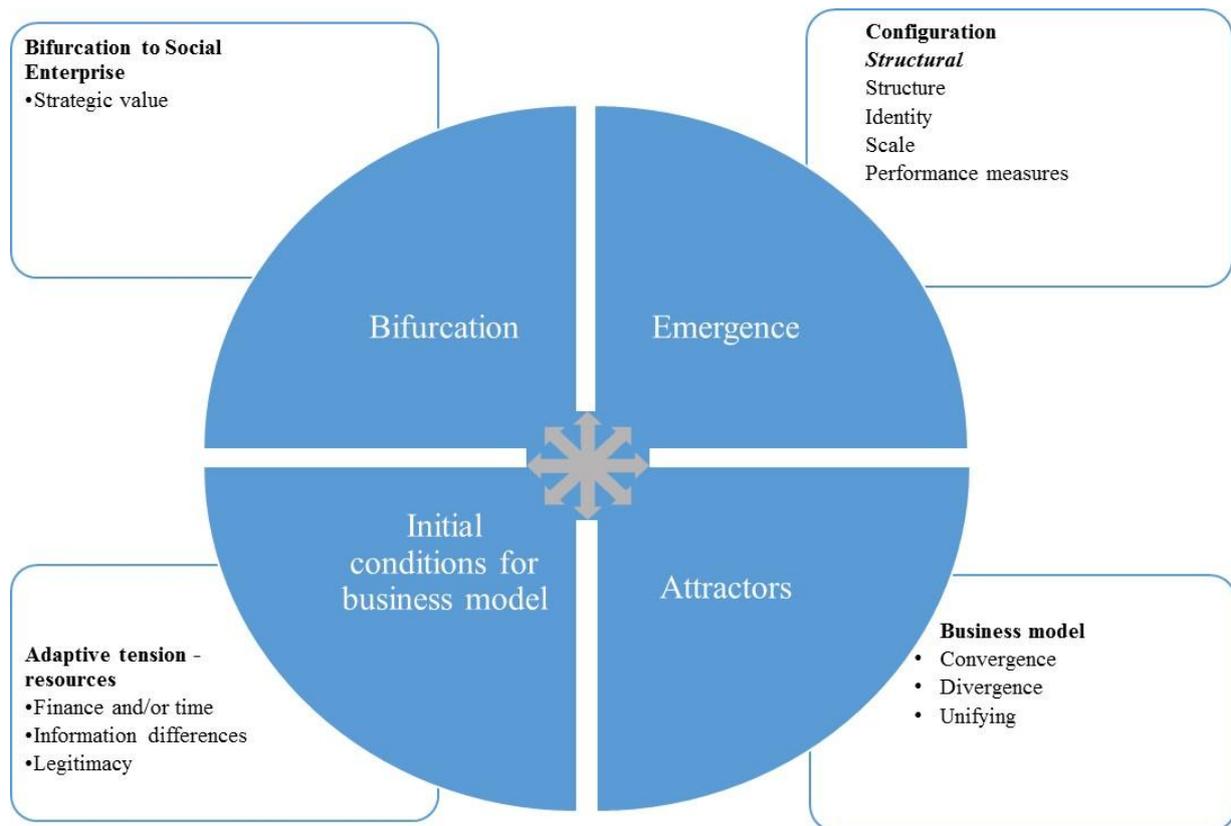
For social enterprises emerging from within not-for-profits, elements of social and economic value need to combine in a way that suits the host (Smith, Gonin and Besharov, 2013). Collaborative and competitive, market and mission focussed, social enterprises endeavour to find a balance between for-profit and not-for-profit operational behaviour (Galaskiewicz & Barringer, 2012). Social innovation may occur but social enterprise, as defined in this research, will always include commercial performance as a means to provide social value. Strong values may exist alongside a focus on opportunity within a market (Doherty, Haugh, & Lyon, 2014; Hoffman, Badiane, & Haigh, 2012). Commercial ventures that also achieve mission may help to maintain stability of the enterprise (Young, Kerlin, Teasdale, & Soh, 2012). A social and commercial orientation may also involve cross-subsidising client fees or other programmes and multiple funding sources (Galaskiewicz & Barringer, 2012; Haugh, 2007). Competitive and collaborative approaches may be taken. Research participants associated social enterprises with the market, a positive attitude to profit, risk taking, costing products and services and sales and marketing, all of which are usually new approaches for the not-for-profit.

In summary, while all organisations have to manage their vision, aims, personnel, and finances, not-for-profit and for-profit organisations typically have very different underlying assumptions, norms and practices and, as Young (2012) suggests, can be considered different organisational species. Social enterprises straddle both species, sometimes uncomfortably (Billis, 2010; Dart, Clow, & Armstrong, 2010). A construction of logic descriptors for the social enterprise identity might therefore be *mission and market – earned/donated/contracted income – unity of purpose and market preferences*.

## **FINDINGS**

This paper now discusses the research findings that have been viewed through a complexity lens. There are four complexity concepts that help to explain commercial logic accommodation and four key considerations for a not-for-profit developing a social enterprise, as shown in Figure 1: bifurcation, initial conditions, attractors and emergence.

Figure 1: Accommodating commercial business model and logics in a not-for-profit: a complexity view



### Bifurcation

A bifurcation represents a threshold where the system moves from one phase space, where all possible states of a dynamical system exist, and into another where the system experiences qualitative changes. The bifurcation that led to the development of a social enterprise was similar in all cases in this research. The level of strategic value ascribed to the social enterprise was pivotal for the not-for-profits making the decision to establish. If the social enterprise was seen as vital, either by leaders or collectively, extraordinary efforts were made to put it in place. The strategic value was primarily in reducing funding constraints and increasing funding reliability by adding untagged flexible funding to their repertoire of resources. The second most significant benefit in all cases was in increasing contact with businesses and/or the general public. Other intangible benefits for the consultancy included increasing the entrepreneurialism and money awareness of staff throughout the organisation.

### Initial conditions

Complex adaptive systems are sensitive to changes in their initial conditions (Eoyang, 2011). Their path is affected by their histories and resources and sometimes small changes can have substantial impact on outcomes. Once the decision to start a social enterprise is made, the not-for-profit must build on its initial capacities and environment. There were several contextual factors that were key for the not-for-profits.

Firstly, most critical was the adaptive tension, or the gap between the current and desired optimal performance associated with resources to address the competing demands of the dual logics. Finance and/or time of existing staff or volunteers were the two resources most commonly needed to start a social enterprise that were in short supply. The code frequencies for the adaptive tension of getting adequate human and financial resources in place were twice that of any other code, reflecting the high level of tension involved in ensuring that adequate attention, capital and support were available for the business start-up.

Financial capital was crucial in the staffing development of the social enterprise in three of the cases. Only one not-for-profit managed to develop a social enterprise without any financial outlay and this was the recycling project that was kept at a small level and simply had to cover direct costs and contribute to staffing. Time resources included the ability to juggle existing staff schedules to develop the social enterprise. The potential to mobilise volunteers or social capital for boards or advisory boards was important in two cases. Social capital was also helpful in identifying potential customers for the social enterprise in all cases.

These social enterprises acted effectively as low cost probes in developing a future income stream (Brown & Eisenhardt, 1997). Even the two not-for-profits with more substantial reserves were cautious about using their resources and wanted an early indication that the new business could generate more funds before investing further. Indeed, as break-even was approached, more tension was evident as further resources were often needed, and justification was required to effectively remove front-line service access to these resources. This tension helps to explain the importance for the not-for-profit that the social enterprise was also contributing to the social mission. Despite these challenges, three of these not-for-profits aimed initially to establish more social enterprises in the future and did this during the research period.

The second type of key resource that causes adaptive tension is the level of information differences, or the need for new and diverse perspectives to develop the business. All three larger not-for-profits had access to general commercial expertise either in the form of voluntary advisers or employed personnel. The two organisations that had the highest level of resources also had the most access to voluntary or employed expertise from the social enterprise's specific sector, which proved especially useful in understanding their business environment.

The third key initial condition is the degree of legitimacy bestowed upon the social enterprise. Legitimacy is defined as a general belief that the actions of the social enterprise are desirable, proper, or appropriate, and is critical for social enterprises developing new cultural norms and beliefs (Clegg, Rhodes, & Kornberger, 2007; Suchman, 1995). Not-for-profit leaders are more willing to accommodate different logics if they are supported by key internal and external stakeholders, even with incompatibility in values or beliefs (Connolly & Kelly, 2011; Pratt & Foreman, 2000). Leaders in two not-for-profits sought legitimacy from parts of the organisation, such as the board and affected staff, while two sought support from the whole organisation. One of these, the consultancy, made significant effort to win the support of all staff to use much needed resources on non-core areas, arguing its social and economic impact.

### **Business model as structural attractor**

The business model describes the logic of core business operations and strategies and how value is created, delivered and captured (Osterwalder et al., 2005; Teece, 2009) and is collaboratively developed by key social enterprise participants. This research originally viewed the business model

as a mediating artefact enabling comparative and consistent discussions to be made between the four case studies.

Research participants were focussed on developing the essential components of their business, and rarely described it collectively as a business model. In this research, however, these components are collectively termed a business model and during the analysis of findings, it became clear that the business model also acted as a structural attractor. The structural attractor refers to the emergence of a set of interacting factors that have mutually supportive and complementary attributes, as collaborative and self-organising processes evolve between diverse key individuals (Allen, 2001a, 2001b). Structural attractors can be man-made, physical, natural or symbolic like a business model (Hazy & Backström, 2013).

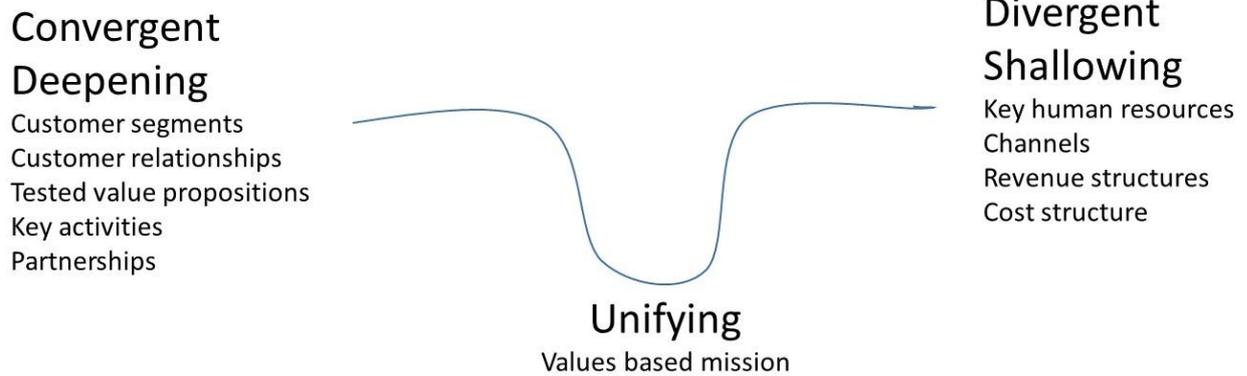
They are “structural” in that they reflect the nature, characteristics, synergies and conflicts of the constituent components within the system and are applied by a group of diverse and autonomous individuals. They are “attractors” in that there is at least one stable attractor within the dynamic system of interacting entities and activities, drawing activity towards it, shaping patterns of human interaction and the systems they create (Woods, 2015).

As a structural attractor, the business model represents a reduced set of business activities from all possible alternatives that appear to work together synergistically. The business model links its key components conceptually and helps to generate the characteristics of the social enterprise (Allen et al., 2007; Surie & Singh, 2013). Its components (value proposition, customer segments and channels and so on) interact in a complimentary way to shape the social enterprise, stimulating positive or negative feedback to support or challenge the viability of the business, resulting in more adaptations. For example, testing the value proposition stimulates activity and decisions for future communication channels or revenue streams.

The ability to explore and change is key to enabling sustainable structural attractors to emerge (Allen et al., 2007). There is rarely an optimal strategy, but individuals explore what works and what doesn't in the midst of prevailing logics that react to both expectation and new experiences. Once emerging trends are recognised, the shape of the attractor basin can be changed by adapting the constraints or boundary conditions. For example, changes in organisational culture may legitimise the growth of commercial activity in a not-for-profit and deepen the attractor basin (Hazy, 2011).

As the business model reduces business model complexity to core business activities (Maguire, 2011), it offers a convergence or stabilising and clarifying context for the organisation (Goldstein, Hazy, Silberstang, & Schultz, 2009). If the structural attractor basin is perceived as a valley, Figure 2 shows some features of the business model deepening the attractor cage, making it harder to move away from it. This research has found that a number of elements of the business model across the cases are relatively undemanding for not-for-profits and therefore deepen or entrench the business model. Generating the value proposition and testing it, identifying customer segments, the type of desired customer relationships and the key activities required for the business were all achieved and stayed very stable over the research period. Partnerships morphed over time but the not-for-profits in this research had little trouble in forming and nurturing pivotal relationships. All had a strong focus on containing costs.

Figure 2: Business model generative context



Secondly, at the same time, divergence is introduced to the system as commercial activities are tackled and possibly commercial personnel introduced. This can result in innovations and generative dynamics that stimulate the environment. This research has viewed divergence as ‘shallowing’ the attractor basin with those business model activities that were new to the not-for-profit and therefore needed new and different skills. These potentially destabilised the new social enterprise, making it easier to move towards or back to another attractor. The most significant business model component challenges across all cases largely occurred in areas that are not traditionally required in a not-for-profit. Key human resources allocated to the business changed frequently in the larger three social enterprises as having the right people at the right time proved a crucial feature for the three larger enterprises. Channels to engage and communicate with customers were problematic, adapted and novel for the not-for-profit in all cases. Revenue structures also changed significantly for the larger enterprises, either in fixed prices charged, discounts to some customer segments or charging fees for the use of consultants. As a not-for-profit with contracted programmes that are costed collectively, experience in price setting or costing individual services was not available. Finding the right price for the market and costing individual services and products were new activities.

Thirdly, there are some unifying dynamics also occurring. In particular, the values-based mission of the social enterprise, closely aligned with that of the not-for-profit parent, acts to combine the divergence and convergence in generating a social enterprise that is perceived as legitimate and coherent. For example, although the cafe slightly increased the price of meals for the homeless, this was aligned with the cafe’s belief in interdependence and normalisation.

## **EMERGENCE**

The concept of emergence suggests that organisations can deliver spontaneous and unpredictable solutions to problems through self-organisation or the interdependent creation of new order (Lichtenstein, 2000b). Emergence assumes that change is constant, complex systems exhibit mutual dependence, behave in non-proportional ways and emergent systems are greater than the sum of the parts that result from the combination of elements (Goldstein, 2011; Lichtenstein, 2000a). McKelvey (2004) suggests that adaptive tension and far from equilibrium dynamics are the primary

catalysts of emergence. Lichtenstein & Plowman (2009) add that emergence also requires amplifying actions, recombination and stabilising feedback from the many connected parts in both the close and wider environment to develop new order.

There are many ways to perceive emergence within this research. At an organisational level, each social enterprise developed in unexpected ways. Within the organisation, each social enterprise also exhibited some unexpected emergence of patterns and systems. Of most interest to this research, however, was the emergence of key decisions on how the organisation configured itself to accommodate the commercial business model and logics. Configuration of the organisation has been analysed as having two key components, as all the social enterprises made or effected key decisions about both their structural and cultural configuration. Many of these decisions were made by organisational leaders without access to an institutional logics perspective and this discussion aims to give not-for-profits the opportunity to consider their options from this stand point more closely and deliberately.

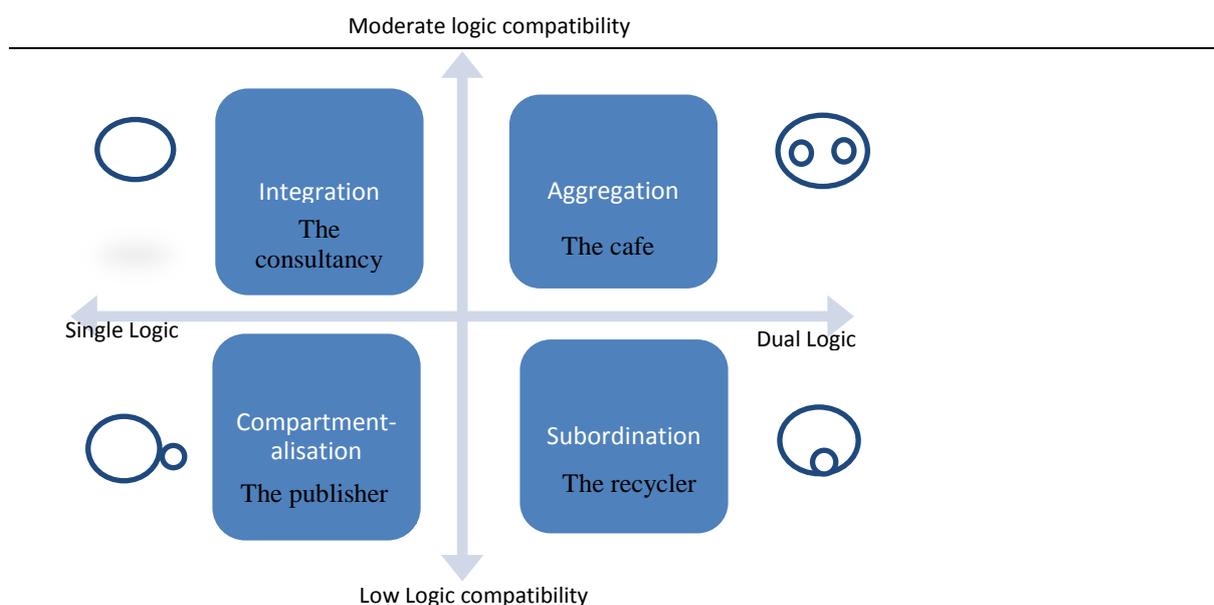
### **Structural configuration**

Firstly, structural configuration issues raised in this research include the structure of the social enterprise, its public identity in relation to the not-for-profit, the scale aimed for and achieved and the performance measures used to assess success. This section describes possible responses in these areas to logic compatibility and use. Drawing from institutional logics and organisational identity literatures, this research built on and recombines the conceptualisations offered by Besharov and Smith (2014) and Pratt and Foreman (2000) and in doing so, a typology suggests four possible ways a not-for-profit might structurally accommodate the logics of a social enterprise and in what circumstances they might occur.

Structuring the social enterprise is a key decision for a not-for-profit in managing the contradictory logics. Battilana and Dorado (2010) argue that growing a hybrid workforce without any specific allegiance to social or commercial goals can avoid tensions between two separate workforces. However, such a stance is unlikely to be consistently achieved in not-for-profits that employ expert service personnel, and where the social enterprise is a small part of the organisation. A range of strategies need to be considered.

As can be seen in Figure 3, the two primary dimensions impacting the management of dual logics are suggested as logic compatibility and whether the organisation chooses to maintain one or two logics internally. Compatibility of logics is defined as the extent to which actions required by logics are consistent with the practices, assumptions, values, beliefs and rules of the host organisation (Thornton & Ocasio, 1999). The higher the compatibility of logics, the more likely the social enterprise may be accommodated within the not-for-profit. The second primary dimension depicts choices on whether to combine or separate logics.

Figure 3: Structural options for incorporating a for-profit logic in a non-profit



Adapted from (Besharov & Smith, 2014; Pratt & Foreman, 2000)

Integration involves organisations finding an acceptable balance in a single hybrid logic, which makes sense of any inconsistencies for stakeholders (Besharov & Smith, 2014; Pache & Santos, 2013; Pratt & Foreman, 2000). Most commonly it involves the integration of both mission and profit goals (Battilana & Dorado, 2010; Dees, 2012). This option most closely reflects that of the consultancy, which as a division, shares the not-for-profit's resources. Commercial and social logics are in the process of being integrated, with not-for-profit staff encouraged to be more money aware and entrepreneurial but the business based on strong organisational values.

Aggregation occurs when an organisation retains both logics internally. The not-for-profit and social enterprise are seen separately but as a composite part of the whole organisation, and linkages are forged to generate positive synergies among personnel who accept the importance of both logics (Pratt & Foreman, 2000). The café and its closely connected social support service are an example of this, although close proximity may trigger more conflict between personnel. Some tensions have emerged between those supporting traditional social work approaches and those seeking a self-funding commercial café.

Compartmentalisation involves developing a separated organisational unit in which the commercial logics and mind-sets are located that would otherwise clash. The term is only assigned when a separate organisation is formed with its own governance and typically a blended single logic. The publisher is an example of this as it separated structurally to reduce financial risk and avoid imposing a commercial culture on the not-for-profit parent.

Subordination involves retaining a minor logic or identity but it is not embraced in the organisation. The recycler project typifies this option as the profit seeking logic was subordinated. It was seen as

simply another project that involves a few key staff but is managed similarly to all other projects. This enabled both logics to co-exist comfortably.

Other dimensions that affect the accommodation of logics include logic diffusion, interdependence, resource levels and strategic value. For example, because it costs more to compartmentalise as a separate organisation or division with its own infrastructure, higher resource constraints may encourage integration or subordination (Pratt & Foreman, 2000), unless resource constraints can be lowered through grant donations or the use of reserves. Where the social enterprise has legitimacy, integration and aggregation are more able to occur internally.

Determining how the social enterprise should be presented to the world is another critical decision for the not-for-profit. The organisations with dual logics, either aggregated or subordinated, also retained the same identity as the not-for-profit and sought to contribute costs only. The social enterprises in this research that sought legitimacy from the whole organisation also maintained a single blended logic, either internally or externally, aimed for higher long term profits than the others, and chose to give the social enterprise a different identity. They were also the organisations that had the highest level of compatibility with commercial logics and also had the greatest level of interdependence and co-evolution occurring. This may suggest that organisations with higher profit aims prefer public separation of logics and identity. Social enterprises with more modest financial ambitions, and less intensively dissimilar logics, may be more comfortably connected with the not-for-profit.

None of the social enterprises in this study had scaled up significantly since inception, nor did any of the enterprises characterise themselves as being 'hungry for profit'. Furthermore, two commercial advisers in the social enterprises with the most diffused logics criticised their respective organisations for not being profit driven enough. The three larger social enterprises aimed to be much larger in the future but for the first few years had to find a way to simply survive and cover costs. The question of how scale might affect organisational culture has not been asked in this research, but a weak signal from one staff member suggested that as the size of the commercial organisation grows, cultural incompatibility may be more likely as the commercial logics become stronger and perhaps less acceptable to the social logics present.

In uncertain environments, performance measures can help provide managers with clarity and focus on what is most important. Each of the social enterprises initially had higher expectations of financial performance than they were able to deliver and therefore all emphasised the importance of having realistic expectations. Economic performance measures consistently involved income in relation to expenditure and the number of products or services purchased and social impact measures commonly included the number of clients or customers and that the social enterprise contributed to the not-for-profits mission.

### **Cultural configuration**

The culture of the organisation may be impacted in a number of ways, as the organisation decides how or whether to sustain the commercial logics. The levels of logic diffusion and ambidexterity are particularly important for cultural acclimatisation and are now discussed.

The level of logic diffusion, or the extent to which commercial logics are distributed within the organisation, was not high in any of the not-for-profits in this research, although two organisations with the higher levels of moderate logic diffusion required at least some staff from the not-for-profit

parent and social enterprise to work together. Only one of these, the cafe closely connected to a social service, experienced tension among personnel. The second, the consultancy interacted with not-for-profit personnel moderately, attempted to blend the logics and gradually increased the level of legitimacy of the enterprise among staff.

If findings from this research can be generalised, higher (moderate) levels of logic diffusion seem to occur in those not-for-profits that see the social enterprise as being of high strategic value, have commercial expertise in the organisation, see the logics at least as partially compatible, have some financial and labour resources available, and there is some willingness or desire to co-evolve, that is the social enterprise and not-for-profit reciprocally influence the development of each other. The level of personnel interdependence, or the degree to which not-for-profit personnel work with the social enterprise is also related to the level of logic diffusion and logic compatibility. More successfully accommodated social enterprises might be expected in organisations with higher compatibility, interdependence and logic diffusion or are completely separated. It is more likely to experience conflict when there is low levels of logic compatibility and high levels of interdependence (Pratt & Foreman, 2000).

The academic literature asserts that there are times that ambidextrous management is needed to manage conflicting logics that simultaneously explore the future and paradoxically exploit the present, providing both innovative and stable service delivery (Greenwood et al., 2011; O'Reilly & Tushman, 2004). When there are very high resource constraints, Pratt (2000) suggests that highly ambidextrous responses may not be appropriate because organisational personnel may not be willing or able to attend to competing demands. Given that not-for-profits are commonly in situations of high resource constraint (Doherty et al., 2014; Fredericksen & London, 2000), this makes ambidexterity more challenging for their development of a social enterprise. While it can be argued that a not-for-profit needs to manage a social enterprise differently because of the requirements of the different logics, only one organisation in this research noted that they had learned to do so as they managed a social service that was closely connected to the café. The publisher was also managed very differently to the not-for-profit but was completely externalised. Having the capacity and a desire to manage the new organisation differently appear to be important for a not-for-profit to consider.

While this research primarily focussed on what was occurring at the organisational level, complexity espouses that all levels are interconnected and multiple level analysis is preferred (Hazy, 2011; Rosenhead, 1998). Not only does the social enterprise have to be adaptive and able to cope with pluralism, so do individuals. Organisational personnel need to be able to work with paradox, adjusting the way they operate and switching between logics, as required. Kurt (2015) notes that non-dogmatic or flexible attitudes are required to cope with pluralism and a general approach that understanding will never be complete and personnel must be comfortable in not knowing and not necessarily being right. The question remains however, as to how this impacts the unity of purpose so commonly legitimising not-for-profits.

## **CONCLUSION**

Aided by complexity theory and drawing on business models and institutional logics, the phenomena of accommodating commercial business model and logics within a not-for-profit has been further conceptualised. This research first acknowledges that commercial organisations do have fundamentally different institutional logics to not-for-profits. A typology of key differences between

not-for-profits and for-profits helps to better understand the requirements of accommodating commercial logics within the social enterprise.

With its appreciation for the interconnected, non-linear and unpredictable characteristics of the organisational world, complexity helps us see that learning and combining commercial logics requires an entrepreneurial approach that is comfortable with ambiguity and uncertainty at both the organisational and individual level, despite the fact that not-for-profits are often also public service providers specialising in reliability and stability.

A theoretically based model outlines the key emergent themes, categorised in four groups. Firstly, the strategic value of the enterprise in terms of independent finance and contact with the public and businesses provided the impetus to bifurcate into social enterprise. Secondly, the social enterprises are sensitive to the initial conditions or context they operate in. The social enterprise's adaptive tension finding the financial and time resources, legitimacy from key stakeholders and commercial expertise for its growth were particularly important. Thirdly, the business model acts as a structural attractor, enabling choice and alignment of key business components. Some activities were relatively easily achieved by the social enterprises and served to deepen or entrench the business model in place. However, getting the right human and financial resources, channels of customer communication, managing higher levels of risk and optimising revenue and cost structures were areas of new learning and skills needed and acted as divergent forces, potentially destabilising the enterprise. The values-based mission, so strong in all four cases, acted to unify these paradoxical tensions.

Finally, the emergence of structural and cultural configurations serve to clarify options for not-for-profits seeking to develop a social enterprise and confirm that this meeting of multiple and paradoxical requirements is possible. There is some indication that developing a social enterprise may be more feasible if there is some commercial expertise and resources available to the not-for-profit, and some form of compatibility found with those commercial logics through integration, aggregation, subordination or compartmentalisation.

Future research could be undertaken to identify requirements to manage the accommodation of business logics at an individual level. Understanding the ability to shift from holding a strong collective purpose and a reliable public service orientation to being comfortable with uncertainty and different perspectives involved in growing a commercial business would help to manage the accommodation

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# **Organizational Design and Entrepreneurial Behaviors of Top Social Innovators**

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## **Extended Abstract**

### **Principal Topic**

Scholars and practitioners alike are recently exploring new organizational designs and entrepreneurial behavior conducive to the stimulation of social entrepreneurship (Lumpkin, Moss, Gras, Kato, & Amezcua, 2013). This is not surprising, because public demand for social innovation drives an unprecedented number of entrepreneurs and organizations to pursue socially responsible business models (Dacin, Dacin, & Tracey, 2011; Grimes, McMullen, Vogus, & Miller, 2013). In particular, scholarship has started to investigate Benefit Corporations (B-Corps), a new organizational and legal form focusing on solving social and environmental challenges through the power of business (André, 2015; Ebrahim, Battilana, & Mair, 2014; Hiller, 2013). Likewise, internal corporate ventures (ICVs), traditionally defined as firm-level entrepreneurial activities which develop new businesses for an organization (Burgelman, 1983), are increasingly used for strategic innovation in the social entrepreneurship setting (Austin, Stevenson, & Wei-Skillern, 2006; Hemingway, 2005)

However, scholarship has only recently begun to investigate the characteristics of organizational designs that make B-Corps and ICVs popular choices amongst social entrepreneurs and organizations (Foss, Lyngsie, & Zahra, 2015; Garrett & Covin, 2014). Likewise, the entrepreneurial behaviors conducive to social innovation are not well understood (McMullen & Shepherd, 2006). We think a better practice-oriented understanding of both can improve our capacity to advise practitioners.

We contribute to this ongoing discussion in two ways. First, we analyze the common organizational design features of the most successful B-Corps and ICVs. Second, we present novel empirical evidence based on interviews with leading Spanish corporate innovators which result in three actionable behaviors conducive to social entrepreneurship.

We develop practitioner oriented recommendations against the backdrop of recent literature in social innovation and our own inductive reasoning on primary data. We argue that organizational designs and entrepreneurial behaviors are most impactful in the context of social innovation,

because it is at the interplay of organizational facilitation and individual action that social innovation occurs.

## **Method**

Our recommendations are based on survey and interview data. We surveyed over 100 individuals actively involved with managing or supervising the innovation efforts inside novel and established organizations. We conducted interviews and site visits with the most successful innovators. Interview partners had on average over 10 years of experience in their respective position and industries. They contributed their knowledge and perspectives on organizational designs and entrepreneurial behaviors through a semi-structured interview that lasted on average 70 min.

We coded and evaluated the survey and interview data pertaining to the organizational designs and entrepreneurial behaviors of the most successful innovators. This allowed us to understand commonalities and best practices. Our research strategy allowed us to highlight exemplary organizational design characteristics and notable entrepreneurial behavior in real life companies. We share their learning in terms of organizational design and entrepreneurial behaviors conducive to social innovation.

## **Results and Implications**

Based on analysis of our data we find that successful social innovators tend to follow a small set of simple guidelines. In terms of organizational design we find that transparency, tracking your impact, and showing that you care, are cornerstones of the most successful social innovators. They allow social entrepreneurs and B-Corps to structure their business model to include all stakeholders. Transparency fosters trust and generates buy-in. Tracking the impact facilitates the sharing of relevant achievements in a motivational manner. Showing that you care let's social innovators actively demonstrate their commitment rather than stopping at the promise to do good.

In terms of entrepreneurial behavior we find that accepting the uncertainty inherent to the social innovation process (instead of taking risks with their projects), the use of internal domain knowledge (instead of external experience), and positively addressing organizational politics (instead of circumventing them) are suitable entrepreneurial behaviors to advance social innovation. Accepting uncertainty freed up capacity to focus on other tasks. The use of internal domain knowledge stressed the interplay between individual action and organizational design in the social innovation setup. Finally, directly addressing organizational politics in a positive manner allows social innovators to single out proponents and adversaries of social innovation. Together these practical guidelines should help independent social entrepreneurs and social entrepreneurs inside organizations design impactful and lasting social entrepreneurship.

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## Cases in Practice

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### Practising Social Innovation: Case Studies from AwhiWorld

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#### Abstract

Communities today are dynamic networks of beings, intelligences, objects, signals and codes. My presentation asks “how can social innovation research be supported in this disruptive, chaotic and disturbingly complex context?”

My organisation, AwhiWorld, emerged as a practical response to this question. AwhiWorld is a lived practice that is at once multiplicitous, messy, deviant, and necessarily cross-boundary. I will share some of our projects from the past year and will generate a discussion on how academia can more dynamically, and relevantly, support social innovation research at a community level.

#### Keywords

Research, technology, social entrepreneurship, community, transdisciplinary, bricolage

#### OVERVIEW

Spaces and places now exist in multiple dimensions filled with dynamic networks of intelligences, objects, signals, codes and formations. In what ways can social innovation research be supported in this disruptive, chaotic and disturbingly complex context?

My organisation, AwhiWorld, practically responds question. For this paper I provide an overview of AwhiWorld’s most recent projects and the PhD research that informed current practice. I reflect on this work noting that AwhiWorld, like many other grass-roots social enterprises, is messy, deviant, and necessarily cross-boundary. It is not a template, but is an imperfect, intuitive bricolage that simultaneously reflects, informs, co-exists with, and disrupts, the society that surrounds and creates it.

Before discussing AwhiWorld’s activities in detail, I set out the current state of social innovation research noticing the gaps and challenges. After outlining and then reflecting on AwhiWorld’s work, I argue that tertiary institutes can best support social innovation through helping practitioners develop dynamic, unique and relevant research designs - particularly those that support the realities of practice in the fluid environment in which we live today. I conclude by suggesting some ways for

universities to bridge the gap between academic and social innovation cultures and generate new forms of research that meet unmet goals and social needs – i.e. to generate socially innovative research.

## **THE CONTEXT OF SOCIAL INNOVATION TODAY**

Places and spaces in 21st century are the gathering points for networks, media, cultures, codes, realities, intelligences, flora, fauna, and signals. In this context, the walls between theories “are becoming less sharply defined and less salient” (Bennett interviewed by Watson, 2013, p. 156). At the same time, the planet faces what Rittel and Webber (1973) describe as ‘wicked problems’—destabilizing issues such as social disparity, climate change and terrorism that are difficult to solve using traditional approaches: Indeed, as Spretnak (1997) notes: “The disintegration in recent years of so much that previously seemed stable is disconcerting to anyone who has been paying attention” (p. 1).

The exponential uptake of smartphones and their applications has had implications for communities at a fundamental level, for, as Davis (1998) argues, “when a culture’s technical structure of communication mutates quickly and significantly, both social and individual ‘reality’ is in for a bit of a ride” (p. 310). Squire (2009) views individuals as “neither entirely here nor there but in multiple, occasionally hybrid, places” of their own choice (p. 78). He describes how online and offline activity is reshaping how day to day life is experienced and argues that there is an inability to unplug or get away as we now have the ability to be in multiple places at once (ibid). Similarly, for Turkle (2011) mobile technologies enable humanity to be connected continuously in a way where being alone is a prerequisite for being together because it is “easier to communicate if you can focus, without interruption, on your screen” (p. 155). For her, places are no longer communal spaces but are instead assemblies where “people come together but do not speak to each other. Each is tethered to a mobile device and to the people and places to which that device serves as a portal” (ibid).

Given the ubiquity of computing today academics are asking for greater exchange across networks and disciplines (Harper, Rodden, Rogers, & Sellen, 2008, p. 81). Urry (2007), for example, has expressed a wish for research to be more mobile, as a reflection of a need to “simulate in various ways the many and interdependent forms of intermittent movement of people, images, information and objects” (p. 39). This call for greater methodological flexibility and creativity is also evident in the humanities and social sciences from academics wishing for the academy to stay relevant in a rapidly changing world (Cresswell, 2002; Entrikin, 1991; Gruenewald, 2003; Kincheloe, McKinley, Lim, & Barton, 2006; Malpas, 2011; Robbert, 2011; Soja, 1996, 1999; Somerville, 2010; Stedman, 2003).

### **The Lag**

Much has been said about the lack of research into social innovation in comparison to ‘for-profit’ business entrepreneurship and commercial innovation activities (Grimm, Fox, Bains, & Albertson, 2013; Mulgan, 2012). The lack of strong research, or even rigorous writing, on the topic of social innovation is due to many factors. First of the all the term is relatively new and a common understanding of the concept has not yet emerged (Rüede & Lurtz, 2012, p. 2). This is the case even though social innovation has been around for several hundred years (perhaps as long as humans have been in society). Second, multiple discourses and disciplines contribute to the field but often don’t collaborate or cross-compare research outputs resulting in fragmentation and disconnection (Cajaiba-Santana, 2014, p. 43). Third, and perhaps most importantly, social innovation has evolved

out of ad hoc practices at grass-roots level where even reflection on practice is sometimes lacking let alone theoretical contextualisation (Mulgan, 2012, p. 19).

While there have been calls for theory to ‘catch up’ (Mulgan, 2012) how should this best happen when social innovation can best be described as a disparate group of practices, activities and notions that emerge out of multiple disciplines, multiple discourses and philosophies and out of lived, embodied practice? I don’t pretend to offer a solution as I myself am in the early stages of exploring how best to support social innovation research. However, I can provide some creative examples of social innovation research and, later in this paper, put forward some suggestions of how academic research can more actively support social innovation in communities today. My perspective and views are based on twenty-five years of supporting social innovation at community level around the world as a consultant and facilitator, of teaching social innovation at tertiary level as an academic, and, in the last decade, identifying and working as a social entrepreneur.

## **INTRODUCING AWHIWORLD**

Initially formed in 2008, my social enterprise and creative social practice, AwhiWorld, emerged out of a need for me to bring my traditional community development and business consulting tools together with the emerging ideas and technologies I was experimenting with in my creative practice. After a number of mainstream and leading edge projects in and around East Papakura I decided to embark on a PhD to more formally develop and evaluate my work.

In the next year or so I started my PhD focussing on how to use emerging tools (in this case geo-locative mobile technology) to support the spirit of place. Geo-locative or geo-reality mobile allows users to place and retrieve digital media in and around specific locations (using a complex set of navigation tools including GPS). You can ‘place’ a story about a site at the site itself to be retrieved by users with an associated mobile app. The research while not exclusively focussed on ‘social innovation’ was designed to enact social change i.e. to assist people to engage more creatively and fully with the spirit of place (as they understood that term within their own frame of reference) and therefore more actively appreciate, respect and care for those locations.

I designed the research to be as flexible and inclusive as possible in order to reflect the epistemological and ontological complexity that is ‘place’ today. I also wanted to work within a practice based approach which allowed for a high degree of emergence both in the means and the possible outcomes. The design eventually evolved into a multi-stage, multi-methodological research framework that was inherently reflexive and encompassed intra-, inter- and transpersonal elements

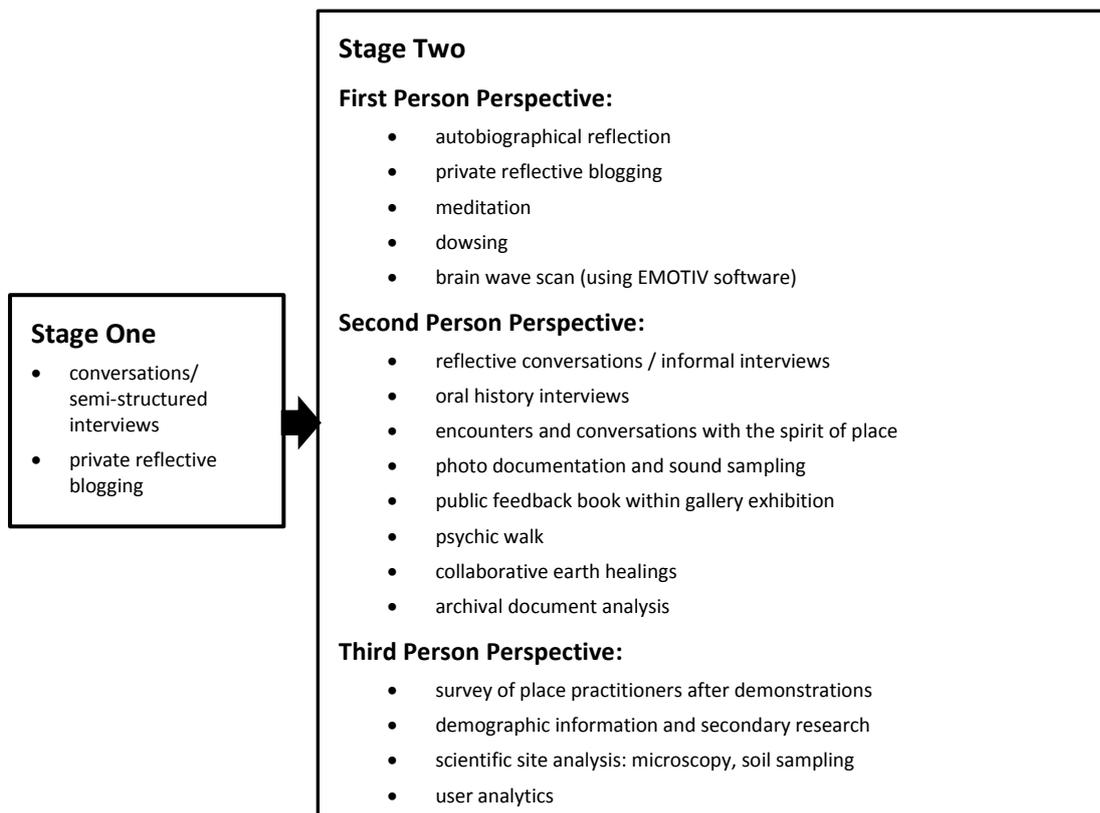
The research necessarily involved working with a bricolage of objects, activities, relationships and conceptualisations as the inherent multiplicity of place requires skills in trial and error and muddling through, rather than just pre-planned, narrowly executed engagements. To provide some greater structure to this necessarily ‘messy work, I synthesised two forms of integral theory, Braud’s Integral Inquiry (1998, 2011) and Esbjörn-Hargens’ development of Integral Methodological Pluralism (2006, 2010) based on Wilber’s Integral Theory (2000, 2003a, 2003b, 2003c, 2003d, 2006). This allowed me to move between first (subjective), second (intersubjective) and third (objective) perspectives and methodological approaches.

I worked on three sites, a marae, a cemetery and a wahi tapu (sacred site for Māori). On all sites I created, in collaboration with those who lived and worked there, a geo-mobile ‘experience’ that shared stories (albeit in different formats) of each place.

Data collection methods ranged from reflective blogging on my personal practice through to microscopic soil sampling, from semi-structured interviews through to experimental camera and sound work. It also actively included transpersonal aspects such as dreams, visions from meditations, discussions with psychics and activities with energy healers alongside scientific microscopy work and soil analysis and social science methods such as interviews using likert scales.

An overview of this design is provided here:

**Figure 1: Overview of PhD research structure**



My work on all sites, but particularly at the marae, showed that these tools can indeed support the spirit of places and spaces (in the most inclusive sense of that word). Recorded outcomes included more positive perceptions of locations, raised awareness among key groups of use of this type of technology in this context, greater awareness of the importance of certain locations and understanding of the stories and history of those sites in the bigger context of the area.

The research design was comprehensive but was complex to administer and a little cumbersome at times. It allowed for multiple perspectives to be included and honoured the diversity of the locations where the case studies took place although perhaps in some areas depth lost out to breadth. My view of this research was that it was an experiment in how quality research can be undertaken when working in place, particularly when undertaking work which can be classified as socially innovative.

## **AwhiWorld Today**

At the closing stages of my PhD I formed AwhiWorld into the social enterprise it is today (i.e. a registered company in New Zealand but one which engages in work for the greater social good). AwhiWorld uses traditional and emerging tools, technologies and practices to support place making, digital learning, cultural regeneration and creative community engagement.

The PhD case study at the marae evolved into a joint social enterprise to market a 'Marae App' to other marae around the country. The app is actually a live platform that allows for dynamic content loading and sharing so that communities can store and disseminate stories and capture comments from individuals who engage with the experience. It also supports sharing of information on services that marae offer in the health and social areas – including alerts to special promotions and events. The money generated from disseminating the app will be used to fund further projects in the community as well as support the goals of our respective organisations.

Other projects were created after the PhD was completed but use similar methodological structures and tools. 'Place Stories Matariki', for example, supported artists to place a number of sound works around Papakura in South Auckland. The sound installations, by contemporary Māori poets, mana whenua, experimental audio artists, punk collectives, Tokelauan songstresses and korowai weavers, were site-specific 'stories' in the most creative sense of that word. The stories could only be heard at specific GPS points around the town via a geo-locative mobile app. The platform was designed as a way to support digital literacy among different groups of artists, to support a greater degree of awareness of the diversity within the town, to connect people across diverse cultures and genres, and to promote Papakura as a place of innovation and high quality creative and cultural work.

Another project, Awhi Creatures Papakura, used augmented reality (AR) technology. AR allows you to view material that is not visible to the naked eye using special glasses or the camera view of your phone. Using this technology, everything from magical creatures to historical landmarks becomes visible. In the case of Awhi Creatures new media artist and AwhiWorld collective member, Kim Newall, worked with local youth to help them bring magical creatures alive with sounds and colours. The creatures were placed in and around Papakura township to be discovered by solving clues in a town wide treasure hunt that 'showed' off some of the special places in the town.

This project, a partnership with the local business association, highlighted the range of businesses in Papakura and encourage people to travel to the community from other suburbs and 'see' the town with new eyes. The work promoted digital literacy among the youth participating but also the public who downloaded the app and engaged with the creatures. The treasure hunt aspect also encouraged connections and relationships as people worked together to answer clues and discover where the creatures were lurking. This work is currently evolving into a larger project covering a number of different institutions and organisations around Auckland (e.g. cultural sites, schools) who will soon be using the creatures to tell stories about local history, the environment and historical artefacts.

There have also been a number of specific organisational partnerships including an ongoing collaboration with staff and residents of a South Auckland retirement home. This has included multiple sub-projects and events bringing together traditional technologies (sewing, crafting, patch working) with emerging technologies (e.g. AR) to make mad hats and dresses that are then presented in annual Easter or 'world of wearable arts' parades. The work not only builds digital literacy and awareness, but also fosters a sense of relevancy among the residents who are engaging

with technologies not even available to the general public. Residents have spoken to us of the fun they have had in seeing their creations come to life in the digital realm and the joy of engaging with something different and new. The rest home itself is seen as a place of interesting and creative activity and is reimagining itself as centre for creativity in the community. Our next collaboration builds on this as we are working with them to create a monthly 'Maker Space' on site that will eventually open out to the surrounding community.

All of these projects have taken place in and around Counties Manukau and have been designed to generate positive stories about the locations. The projects intertwine and are building networks of business managers, politicians, creative artists, grass roots community workers, schools and academics who wish to be part of AwhiWorld's work.

## **Reflection on Practice**

Although one is more formally set out than the other, both types of research (PhD and day to day practice) involve a bricolage of objects, activities, relationships. Indeed the complexity of life today "requires skills in trial and error and muddling through, rather than just pre-planned narrowly executed engagements" (Buxton, 2015). While my PhD research used a sophisticated research design my AwhiWorld work in community (which has taken place outside of an academic setting) has been comparatively messy and emergent. In general the projects evolved out of relationships, connections and conversations as well as dreams, intuitions, inklings and musings.

The concept of practice has become increasingly popular among scholars across a number of disciplines. Schön (1983), describes a practitioner as someone who encounters certain types of situations or contexts over and over again. As the practitioner engages with a variety of 'cases', or bounded experiences, they develop their "repertoire of expectations, images and techniques." (p. 60). According to Schön, practice needs to be integrated with research not separated from it. The problems confronted in society are complex, messy and uncertain and exist in "swampy lowlands", not in the "high hard ground" of research and 'technique' (p. 42). He notes that those working in the swampy lowlands "involve themselves in messy but crucially important problems and, when asked to describe their methods of inquiry, they speak of experience, trial and error, intuition, and muddling through" (p. 43). He argues that modern practitioners of any kind need to choose between multiple approaches and find their own way to combine them together. Reflecting on their decisions and actions in this process is a form of practice in action.

Sumara and Carson (1997) put forward the notion of 'lived practice', which is a way of conceptualising a processual, performative and intrinsically natural form of research engagement and practice in general. Writing in the context of action research, they argue for a blurring between the worlds of research and of living, work and practice. Unfortunately, embodied 'lived practice' is seen as inferior to 'higher learning' as it is "too situational, contingent and particular" (Weber, 2013, p. 55). At the same time, indigenous practices, which are holistic and embedded in ontological understandings completely at odds with academia, are excluded - as are any approaches that understand the word 'holistic' as embracing spiritual and transpersonal aspects.

Shahjahan (2005) is among a growing number of academics who view the knowledge generated within academia as ontologically colonising and anthropocentric – with other beings subordinate or non-existent. He notes that dominant scientific theories do not accept arguments involving "people's spiritual relationships to the universe, to the landscape, rocks, rivers, mountains and other things, seen and unseen" (p. 696). He argues for a multidimensional gaze, so that today's "issues and

questions are not seen in two-dimensional level or through mainstream triangulation but rather are seen in its depth and at different levels of consciousness" (pp. 697-698).

I see the many interventions around the town as a web of enacted practice. My work, as a producer-facilitator-connector-activator, is a lived, spiritual practice. I am intervening in my own social system, place-making in my own place, connecting at multiple levels within the system: politically, institutionally, spiritually, socially, digitally, and economically. My work is a way of connecting but also disrupting the web so that unusual partnerships and connections are made and less useful stories about the town become unstuck.

Somerville (2007) sees new knowledge generation in place happening through research engagement that is at once "messy, open-ended, liminal, and irrational" (p. 235). For Somerville, "emergence is an important and under-recognized quality in all research that aims to generate new knowledge" (p. 240). I see emergence as the essence of my own practice and many organisations with whom I work. They innovate by seizing opportunities and acting on instincts that emerge in the moment and/or out of dynamically shifting territories.

I consider my work to be socially innovative in so far as it is using new ideas that work in meeting social goals – or unmet needs. I may not be engaging in strictly defined empirical research, or engaging in purely theoretical musings, but I consider my contribution as valuable to a conference such as this - as much as those who have chosen more traditional academic routes.

## **MUSINGS AND PONDERINGS**

In what ways can social innovation research be supported in this disruptive, chaotic and disturbingly complex context? And what can be done to build more rigour in a field of work that spans multiple disciplines and cultures and to date has little theoretical backbone?

While it is important to build rigour and to share success, my concern is that academia may attempt to squeeze activities into narrow theoretical models that are not appropriate or relevant in complex community ecosystems. While empirical and/or purely theoretical research is important it is not the only way in which learning can be shared, dialogue generated and social innovation-related practice advanced. At the same time, those working in community need to build their reflective, critical, systemic and contextual capacities so that their work is not so piecemeal, short term and duplicative that it is largely ineffective.

In this context, I would argue that fixed, binary, split and boundaried approaches are no longer relevant and risk creating even greater gaps between tertiary institutes and society. Based on my own experience as a social entrepreneur, I advocate for a mix of approaches but especially those that attempt to eliminate the theory/application divide. I also recommend moving away from polarities e.g. qualitative and quantitative, and to work across boundaries of discipline, institution and culture (in all understandings of that word).

In terms of fostering research exchange, for me, journal articles and conferences are currently a secondary form of knowledge distribution as they simply do not reach the community of practitioners doing similar work in my country. It is easier to share knowledge via Skype conversations than it is to spend several weeks (sometimes months) hoping to get something published.

In general, the style of writing and lack of immediate applicability, makes academic research largely irrelevant to grass roots social entrepreneurs who work outside of the university system – particularly as many individuals engaging in community based social innovation (via churches, charities and NGOs) are from cultures with poor experiences of academia every sense of the word. The call for papers for this conference, for example, requested a “theoretical or empirically informed” contribution that includes a “topic (including the research issue or question the paper seeks to address); method; results & implications (either in terms of the development of understanding if a theoretical contribution, or in relation to data if empirical).” In an academic conference this is not an unusual set of criteria for paper submission. However, it lacks relevance in the context of the multi-faceted set of discourses and practices that make up what has come to be described as ‘social innovation’ today.

In my case, in order to foster new collaborations, build influence, raise awareness, share best practice and generate potential revenue streams, I have leveraged traditional and social media quite strongly to share stories of my experiences. I also speak at a wide range of local groups and public speaking events around the area to actively recruit new collaborators and spread positive news about what is happening in and around our place. I’ve used Facebook and Linked In actively to share practice hints, tips and learnings with like-minded individuals and exchange best practice in various technological and social tools.

Speaking from personal experience, I feel there is a need to work with practitioners themselves to generate methodological approaches that meet the needs of their own communities rather than create models with universal applicability. Research frameworks need to not only meet academic criteria but be able to fit into evaluative structures for funders – this means there is no ‘double work’ for people who are often just struggling to stay afloat. In my case, for example, formal, compliance based evaluation (using mainly ‘third person’ quantitative data) has occurred on a relatively ad hoc basis primarily to report to funders and sponsors. To balance this (and provide another point of view i.e. first person research) I have been keeping a regular reflective journal on the work. I have also been informally debriefing and/or interviewing collaborators during, and after the completion of any project and keeping notes of any outcomes, positive or negative as they are fed back to me by collaborators on the sites as a basic form of ‘second person’ inquiry. The projects have all involved iterative cycles of activity and reflection, of prototyping, testing and implementation. At a later date this material will feed into reflective articles and presentations to my community of practice.

While social innovation conferences support academics to exchange knowledge, the way they are put together in terms of time (two or three week days in a row), location (at a university or expensive conference venue or hotel), format (formal presentations rather than emergent and participatory dialogue, language (formal and academic), type of speaker (mainly academic or from very large NGOs or philanthropy groups), is often off-putting to those working at grass roots level. Creating effective, inclusive and relevant cross-sector, cross-cultural, cross-disciplinary, cross-institutional gatherings/labs/hui/fono etc (online or face to face) are a critical first step in supporting sharing of best practice in social innovation and developing models and frameworks that can inspire rather than prescribe.

In a world where disruptive technological innovation is rapidly changing the ‘norms’ of type and level of culture, research needs to be dynamic, multi-model and open to multiple ontological and epistemological frames not just those currently approved by mainstream academia. In my case, my spiritual practice forms a significant part of my work in community, and this is the case for many of

my colleagues. Spirituality is still largely marginalised by most research into social innovation in any field of understanding.

For true innovation to occur all elements of society need to be stepping out of tried and traditional frames of mind and connecting across boundaries of culture, institution, belief and reality.

## CONCLUDING THOUGHTS

In communities where disruption is the 'new normal', social innovation is taking on new forms and formats. My organisation, for example, creatively and practically weaves together the spiritual, physical, artistic, technological and digital realms. It is not positioned as a template, but an imperfect, intuitive bricolage of work in progress. This work is shared via social networks, local media and networking not journal articles as it is relatively ad hoc, messy, and inclusive of ontologies that are not appreciated or recognised by academia.

In my view, social innovation research needs to be socially innovative – it cannot simply replicate worn out university norms and expect to stay relevant to practitioners in the field. Universities need to be actively collaborating with non-academics working in the field to develop new research paradigms and practices and to disrupt assumptions about what counts as quality research outputs. In this way, social innovation studies can go forward with integrity to share new ideas that work in the field and build an international social innovation research community.

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# **Using the Collective Impact Framework to Assist at Risk and Vulnerable Youth: A West Auckland Perspective**

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## **Abstract**

In 2014 over a six month period the Waitakere community experienced a series of highly violent deaths, many involving young people and one in particular involving a young 13 year old as the offender. This put a spot light on those working with youth and what they 'should' be doing particularly in the area of health and wellbeing. It also sparked a community led research project aimed at exploring whether a framework like Collective Impact, when applied to the work happening in the community, might help improve health and wellbeing outcomes for young people in West Auckland.

Over the course of nearly a year a small team used a grassroots and creative approach to better understand the key themes for young people in community, what was working, where the best examples of collaboration were happening, and where the gaps existed from a young person and their communities perspective.

Lead on the research project, Janette Searle, reflects on the research findings, and in particular the work being done with the West Auckland Alternative Education Consortium, and how the Collective Impact framework might support the innovative and collaborative work happening there, creating better outcomes for the young people that are arguably the most at risk and vulnerable.

## **Keywords**

Youth, mental health, wellbeing, Collective Impact, Community, Family, Education, Alternative Education

## **Executive Summary**

Toi Ora is an NGO that aims to inspire positive mental health and wellbeing through the use of the arts and creative process. It is through this lens that the research has been carried out. As a community initiative the research project has focused on collecting information at the grassroots level, and the voice of young people and the community. To narrow the focus of what is a very wide brief three main approaches were used:

1. Narrowing geographically to focus on youth in the Henderson Massey area.
2. Narrowing the focus to the most at risk and vulnerable young people in West Auckland,
3. Seeking through youth and community voice the top themes that impacted on youth mental health.

The research involved the use of several different research methods. A stocktake was done via internet scan, discussion and networks to find those people, organisations, and businesses working with youth in West Auckland. In the interest of providing useful information the key themes found through youth and community voice were used to frame the mapping of this stock take. Youth and community voice was sought using survey, focus group discussions, interviews and creative projects which gave young people for whom face to face discussion might be more difficult a vehicle to contribute to thoughts and ideas. A review was carried out covering other research projects and work done around the key themes found, similar groups of youth to those that are the subject of this research project, and complimentary research projects such as the Auckland Council CAYAD survey. In addition literature focused on collective impact, collaborative work practices was completed. Case studies where collective impact had been used for provide solutions for areas similar to the key themes we found were explored to find relevant learnings that could be applied to the West Auckland context.

Five key themes identified by youth and the community include:

- Family – gaps in the support provided by families for young people, despite strong connections to family.
- Education – the importance of education as more than just a place for academic learning.
- Health and Wellbeing – mental and physical health challenges for young people – education, early identification.
- Safety – sense of safety in the community and personal safety due to self-identity.
- Co-ordination of resource that exist already to prevent overlaps and reduce gaps.
- Income – lack of income available to them impacts on many of the outcomes above and the ability for young people to access services, supports and resources.

There is already some very positive collaborative work happening in West Auckland aimed at improving outcomes for young people, and this is largely driven by passionate people in the right organisational positions. The Collective Impact Framework could help improve the work of these passionate people, and outcomes for young people in West Auckland by providing a platform for shared vision and values, open and continuous communication, alignment of activities and actions, and robust measurement and evaluation of the work being done. We have chosen to use the Waitakere Alternative Education Consortium as a case study for how Collective Impact might assist the work they are doing.

## **COLLECTIVE IMPACT**

In the winter edition of the Stanford Social Innovation Review John Kania and Mark Kramer introduced the concept of “Collective Impact” as a disciplined, cross-sector approach to solving social and environmental problems on a large scale, Since then Collective Impact has gained huge momentum and is now a framework employed by communities across the globe.

Collective Impact initiatives involve a centralized infrastructure, a dedicated staff, and a structured process that leads to a common agenda, shared measurement, continuous communication, and mutually reinforcing activities among all participants.

Rather than working on isolated responses, Collective Impact provides an opportunity to take a big picture view and invites collaboration and alignment across sectors seeing community, service providers, business, policy makers and funders working together and more effectively alongside each other. As well as working across the formal sectors, Collective Impact provides an opportunity for those with lived experience to become involved in the design and development of solutions. Cross-sector perspectives can improve collective understanding of the problem and create a sense of mutual accountability.

### The Five Conditions of Collective Impact.

<b>Common Agenda</b>	All participants share a vision for change that includes a common understanding of the problem and a joint approach to solving the problem through agreed-upon actions.
<b>Shared Measurement</b>	All participating organizations agree on the ways success will be measured and reported, with a short list of common indicators identified and used for learning and improvement.
<b>Mutually Reinforcing Activities</b>	A diverse set of stakeholders, typically across sectors, coordinate a set of differentiated activities through a mutually reinforcing plan of action.
<b>Continuous Communication</b>	All players engage in frequent and structured open communication to build trust, assure mutual objectives, and create common motivation.
<b>Backbone Support</b>	An independent, funded staff dedicated to the initiative provides ongoing support by guiding the initiative's vision and strategy, supporting aligned activities, establishing shared measurement practices, building public will, advancing policy, and mobilizing resources.

### Key Themes

We spent time getting information about the key themes of importance for people in the community. We did this through a mix of survey, focus groups, Creative projects and interviews. The top 5 themes that emerged are covered below. Underlying this was the issue or theme of income/money. We've chosen to describe this as an underlying theme as it impacts on all of the themes below. The key issue was that income and money was scarce and that that in many cases led to the issues described below. E.g. lack of money at home meant that some young people were turning to crime (theft, drug selling, e.t.c.) to support themselves and their families, lack of funding led to limited resources in education, lack of income led to limited access to services etc.

### Family/Home

*Caring, supportive and safe families are critically important for young people. Overall, young people who report caring and supportive family relationships are happier, healthier and get on better in life (Resnick, Harris, & Blum, 1993).*

Evidence suggests that those young people that have the support of their families fair better in health and wellbeing outcomes. However for the young people we spoke to in our focus groups,

and consistently with those we interviewed who work with these young people there are concerns about the lack of involvement and support from parents, particularly for those young people considered to be at risk and vulnerable.

The lack of support the symptom of many things for example parents who don't know what is expected of them. This can be due to cultural differences, generational lack of support, and general lack of awareness. Those we interviewed suggested that some families have an expectation that the services (such as the police) will do elements of their 'parenting' for them.

Transient families and transience within a family are another cause. Young people move between family members, and family members move locations and homes frequently, so there is no one person who is responsible for the young person their wellbeing which can create gaps. Parental absence is another cause. Physical absence may be the circumstance of imprisonment, hospitalization, drug and alcohol abuse, or mental health issues of their own. Some parents have high work and employment commitments where both parents work long hours to make ends meet, or are required to work in other locations. There is also short term of temporary 'absence' as a result of the challenges of single parent families, crowded living conditions and or multiple families in the same house, a situation which recent census results suggests is on the increase in West Auckland. These living situations are compounded by housing issues which are in some instances are not suitable e.g. overcrowding, lack of insulation and or heating, etc, which create additional mental and physical health problems.

Family violence was an issue for some with those we spoke to from the police suggesting some families show care inappropriately through physical reprimanding which is in New Zealand culture considered abuse. They have a lack of knowledge of the alternatives available for disciplining and boundary setting. (Waitakere City's family violence offence rate is higher than the national average (ex 2006 Census).

For some parents there is a perception that they 'over rely' on the services such as the police to do the 'parenting' that they should actually be doing themselves. And for others there is a lack of unawareness of the services and supports available to them, and or they find it difficult to access those services. In this case they suggested that families need to be supported so that positive practice can be shown, sustained and create change.

For some young people the result is that they look to their peers and gangs for the sense of support, care and belonging. Some 'kids' are enticed in through the provision of sex, drugs, drink. There is pressure from peers to join, even if as individuals they don't want to really.

*There is a Street Kid Culture here. The issue is that conditions at home are really bad so they run away (therefore breaching bail or the conditions put on them by the police/CYFSs/system). They meet at the train station or somewhere in the community so they are with their 'group'. Drugs and alcohol become an issue with this groups and offending can happen as a result almost by default due to the circumstance and situation these young people are in. (Interview Adult who works with young people)*

Many parents of these young people are looking for help and want to make a change or a difference, but there are challenges to their being able to do that. Access, time, financial constraints all have an impact. Some services have barriers to entry through specific gate keepers and criteria, and other services and interventions have 'hours of operation' that do not fit will with a families living situation

and times of need. E.g. At a time of crisis around a youth suicide that happened 'after hours' one of the adults who work with young people reflected that almost all services were unable to meet the needs of the families and communities concerned. There was just one service (Waipareira) that provided a youth worker to support outside of their normal 'contracted work hours' to ensure that the families and community were supported, which in their opinion made a big difference at the time.

Whanau Ora programme currently run through Waipareira Trust and the Fono provided a level of flexibility in how funding is used to provide services, supports and solutions tailored to the need of the family. Success stories from these two providers supported the comments from those that we interviewed that suggested interventions, solutions or services that walk alongside families, and a strengths based approach and tailor their approach to suit the family work best. The Multi-systemic Therapy and Function Family Therapy Service provided by Youth Horizons and funded through CYF was mentioned specifically in this context. The challenge for some though was that it could only be accessed through CYFS but could be of benefit to families who were not on CYFS 'books'.

## **Education**

*Education is one of the strongest predictors of good health status. (Freudenberg & Ruglis 2007)*

Young people who succeed at school are more likely to grow up healthy. Conversely, young people who drop out of school prematurely are more likely to engage in risky behaviours and to have negative health and social outcomes (2-8). (Clark, et al, 2010, Kubik et al 2005)

There is also a reciprocal relationship between health and education where health is seen as an essential component of successful education "Adolescents who experience poor health are less likely to achieve academically, which is likely to affect later occupational attainment and earning capacity". (Clark, et al, 2010)

Through the interviews we found that the age of young people being excluded from mainstream school was becoming younger. Eleven and 12 year olds have been excluded from school in some communities yet there is no alternative for them as the current alternative education system is 13. Those we spoke with were over the age of 13.

The young people we talked to through the focus groups identified education as being important to them. They recognized that it was an opportunity to allow them later to get work and earn 'clean' money. Almost more importantly though, they identified their Alternative Education providers and peers and 'family'. This finding is supported by both the 2009 Alternative Education Report and the Masters Thesis by Jodi Smith The Impact of Alternative Education on Wellbeing and Life Course.

Those we interviewed recognized that the home environment for many of the young people they worked with was unstable, and that education (school and Alternative Education) provided that sense of stability, unity and belonging, and that this had positive impact on their mental health and wellbeing.

*"This is family, these are my brothers and sisters. They are my older siblings" (AE student)*

*Almost all AE students (94%) reported that people at their AE care a lot about them (Clark, et al, 2010)*

*"It's important to me, it's my future, and it can help me get a job" (AE student)*

Of concern for students was the lack of qualified teachers working with them and the lack of resource they were able to access. Comments around the lack of resource were also repeated by those that we interviewed. They acknowledged that Alternative Education has traditionally been 'left out' of a lot of the resources and services provided to mainstream schools. However in West Auckland there is shift in this with relationships being built with key providers of resource and services, and alternative funding sources obtained to support additional resource for students. For example one of those relationships is with Health West and has resulted in a dedicated nurse for the Alternative Education providers. As a result of her involvement, screening and education physical and mental health issues for the students are being picked up and strategies developed to resolve those issues.

*A long-term approach based on good relationships with young people and their whānau, and involving multiple collaborating agencies is recommended to improve the health and wellbeing of students in Alternative Education. Given the many challenges involved in this sector, and the relative isolation from other services, we cannot expect Alternative Education tutors to change the trajectory of these young people's lives without attention to its resources and workforce capacity. (Clark, et al, 2010)*

We also found that several of the mainstream high schools have dedicated nurses, and counsellors and regular doctor visits on site and range of programmes provided by NGO and private organisations that look to create positive outcomes around health and wellbeing of students. This approach of taking health care and resources to the students, rather than waiting for them to access them, works well with at risk and vulnerable young people.

An area that those we spoke to identified as 'working well' were the Youth at Risk Network (YARN) meetings. These are regular meetings held among key people from agencies, organisations and services that work with and engage with the most at risk and vulnerable young people. (E.g. the Police, Alternative Education, Ministry of Education, Marinoto Youth Mental Health, Health West, etc.) This group focused on those not engaged in education or training and aim to identify the young people that will potentially 'fall through the cracks' and require intervention of some sort. Together they share information and identify the support and services they and their family may require, and then holds the representatives from the agencies and organisations accountable in ensuring those supports and services are met. The aims are similar to the new Children's Teams supported through the Ministry of Social Development.

Another area that was identified as 'working well' were the mentoring of young people through their transition into Alternative Education. The most successful cases came when the 'mentor' had the time and flexibility to work in a way that best suited the young person and their family. Taking the time to build a trustful relationship, introducing the young person into the Alternative Education and or other training setting slowly. In some instances this took six months. However the outcome as a result of the time and flexibility were higher retention rates in the Alternative Education programme, and as a result better health and wellbeing outcomes. Interest was expressed in an ability to take a similar approach to transitioning young people from Alternative Education into mainstream schools and other training and work opportunities.

Concern was raised over challenges faced by those young people that were going to turn 17 and were 'ageing out' of Alternative Education. For some the concern lay around the young person's

'unreadiness' for other kinds of education, training or work, and also around the inability to flexibly transition them into other education or work opportunities.

## **Sense of Safety**

*The experience of violence either as a victim, a witness or a perpetrator is a threat to a young person's health and wellbeing, and is associated with a range of poor health, social and educational outcomes. (Clark, et al, 2010)*

While most young people we spoke with said that they felt 'safe' during the day, their feedback suggested that there are issues with safety in certain situations, e.g. At night in the community, and at home and out of school. They identified areas of the community that felt particularly unsafe such as the CBD of Henderson and around the train stations.

We also spoke to those that worked with students being disengaged from mainstream school and those that work with Alternative Education students that suggested that from their experience a significant majority of girls in Alternative Education had experience sexual abuse, and a significant majority of students (boys and girls) had experienced physical abuse. For some that abuse was experienced at home, and this was also reflected in the interviews we did particularly with the police, and this was related back to different and unacceptable approaches to parenting and maintaining discipline and boundaries in some communities.

For the transgender group of young people we spoke with their sense of safety related more to emotional safety that was created through not being accepted by their school and community, a lack of support and understanding, and the difficulty in finding appropriate supports.

Many of the Alternative Education Students we spoke with identified 'course' as being a safe place where they felt they belonged and were accepted. They suggested that their peers and the tutors were like family.

## **Health and Wellbeing**

Poor health in adolescence can impact considerably on future wellbeing. (Blum, Bastos, Kabiru, & Le, 2012; P. Chen & Jacobson, 2012; Commission on Social Determinants of Health, 2008; Duncan, 2010; Freudenberg & Ruglis, 2007; Holt, Buckley, & Whelan, 2008; Poulton et al., 2002; Resnick, 2000; Viner et al., 2012; Viner & Taylor, 2007).

One of the main issues we found when talking to young people in our focus groups and also to the adults who work with young people was knowledge of and access to the health services available. Young people and their parents/families were unaware of the services available to them.

For those services they did know about and use transport and a lack of financial resources provided a barrier to access. Lack of family support in accessing services was described as another barrier.

In its most extreme lack of access and use of important health services can have a major impact on a young person's mental health and wellbeing as was described in the NZ Herald article about the young man on trial for the death of Henderson Dairy owner Arum Kumar.

The 8-year-old boy was struck by a car on a pedestrian crossing and flung 4m in the air. He was knocked out, suffered a seizure, fractured skull and a brain-bleed. Four days later, the youngster was discharged from Starship Hospital. An occupational therapist established he suffered a "traumatic" brain injury and wrote a referral letter to ACC for rehabilitation.

Despite this, the boy never received treatment.

If we never heard from them or any other treating provider, such as an occupational therapist, GP, or physio, we'd likely assume nothing was needed" ACC spokeswoman in trial evidence (NZ Herald Article 30/08/2015)

Families and parent's own health also had an impact on a young person's physical and mental health. Where health related issues are evident such as addiction, mental and physical health, parents were unable to provide the level of support needed. In this instance recent CAYAD research suggests that young people may be more likely to have their own alcohol and drug issues further impacting on their mental health and wellbeing.

When AE students were asked about the substances used by their friends, 92% reported that their friends smoked cigarettes, 86% that they drank alcohol, 86% that they used marijuana, 39% that they used party pills, and 31% that they used other drugs. Only 3% of AE students reported that their friends used none of these substances. (Clark, et al, 2010)

Feedback from several of our interviews with adults that worked with at risk and vulnerable young people also suggested that physical and sexual abuse was more common in the groups that they worked with. This may occur at home, or in the groups/gangs of peers they 'hung out with'.

*"get a hiding/sometimes we bring that, (stress) into course" (young person from Focus Group)*

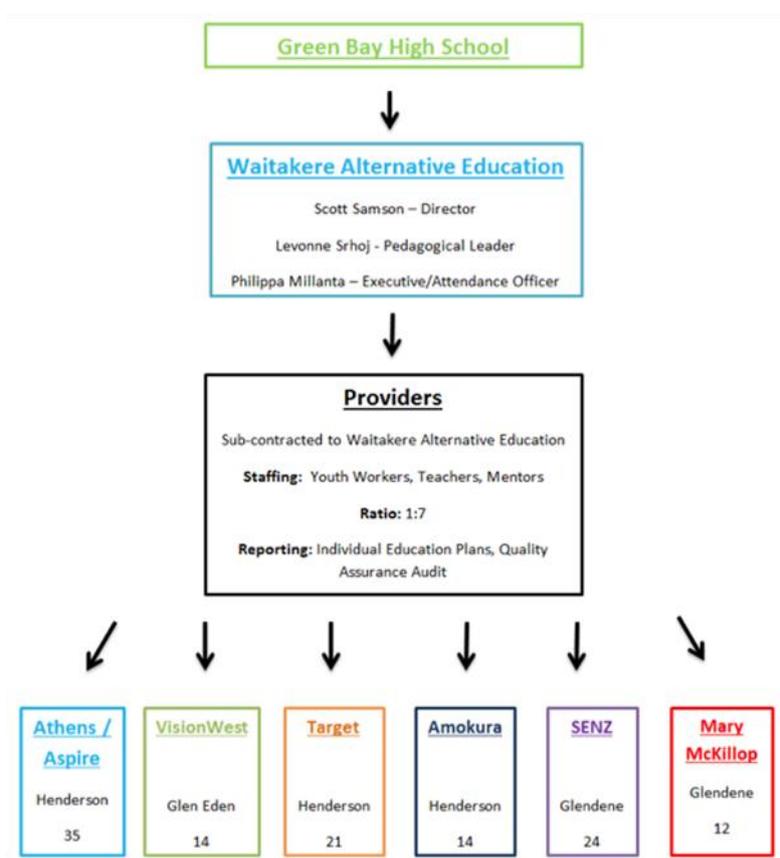
Drug and Alcohol abuse was also a major issue raised by those we interviewed. The Auckland Council CAYAD survey supported our findings through interviews that drug and alcohol use was high in Alternative Education and those considered to be at risk or vulnerable. There was growing concern about the increasing use of 'meth', synthetics, and glue among young people. Also concerned was raised in the increased likelihood of young people to engage in risky behaviours such as drunk driving or being a passenger in a car driven by a drunk driver, engage in unsafe sex. It was also suggested by some that drugs and alcohol also masked other issues such as head injury, learning difficulties, and other mental health problems. Through focus groups and interviews we established that the most common mental health issues experienced for those most vulnerable and at risk included anxiety and depression, and were expressed through self-harm, suicidal thoughts and actions, acting out, drug and alcohol abuse and eating disorders.

Some of those we interviewed suggested that more screening of young people for health issues would help improve the opportunities to 'pick up' and treat problems. The Alternative Education Consortium had a dedicated AE Nurse available for its providers who brings 'health care' to students and has developed a process of screening was being used and achieving good results in the identification and treatment of physical health problems and potential learning and mental health issues. A stronger relationship with local mental health services has also been established by the consortium. An interview with those responsible for helping young people being disengaged from mainstream education suggested that more screening and a greater ability for them to be able to link young people and families with services would be beneficial.

Most we interviewed believed that further education around drugs, alcohol, sexual health, and mental health was needed. Again the Alternative Education Consortium has established relationships with appropriate health professionals to help provide this education. However those outside of the education system (AE or mainstream) have less opportunity for these kinds of educational experiences.

*The salience of school connectedness as a protective factor against adolescent high-risk behaviours strengthens the arguments of educators, health officials, and youth advocates that there must be closer collaboration between the health and education sectors in order to promote both the well-being and educability of young people.* (Resnik, Harris, Blum, 1993)

**Examples of Collective Impact being used to improve health and wellbeing outcomes for young people in their community (is available on request or in the full report)**



## CASE STUDY: West Auckland Alternative Education Consortium

### ALTERNATIVE EDUCATION AND HOW CI MIGHT HELP IMPROVE HEALTH AND WELLBEING OUTCOMES FOR YOUNG PEOPLE

Through the course of the research project and through working on youth development projects we found that the West Auckland Alternative Education Consortium are involved in a number of key pieces of work, and have developed a strong network of partners to support the work they do with

the young people. They, and the partners they are working with, are an excellent example of the kinds of collaborative collective work that is already happening in West Auckland and provide an opportunity to show how Collective Impact framework could help support the collective.

## Current Situation

Waitakere Alternative Education Consortium (WAEC) is an organization that provides education to students who are alienated from the standard educational system.

As a requirement of the Education Act 1989, young people must attend a registered school from their 6th to their 16th birthday. There are students that may have negative experiences with school and have been excluded from school for a number of reasons. Alternative Education is for students who are genuinely alienated and excluded from mainstream education.

WAEC provides a different school programme for these students by offering tutoring and mentoring to young people in a nurturing environment with high expectations of student potential. They work with six Alternative Education providers who deliver education to 120 students in West Auckland between the ages of 13 – 16 years. Their Kaupapa involves focusing on student strengths in a whole person, person centred approach. This means that careful attention is paid to each student and his or her unique way of interacting with the world. They seek to identify and encourage academic, athletic, musical, cultural, artistic, social strengths.

Statistics on Alternative Education Students in West Auckland paint an interesting picture that indicate the complexity of the needs for these young people.

- 66% of WAEC student enrolled identify as Maori, and 18% as Pacific Island
- 80% of WAEC students are knowing to the police or have a youth aid officer
- Many of the families of WAEC students have CYFS involvement.
- Baseline data collected from Auckland Council's CAYAD team show that WAEC students are more likely to have started drinking at a younger age, drink more regularly and consume drugs than mainstream students. (more detail on this under the summary information about the CAYAD research project below)
- Information those working with students being disengaged from schools in West Auckland suggests that incidence of abuse (physical and sexual) is high among those transitioned into Alternative Education. The outcome of this is often seen as 'acting out'.

*“Conduct problems are the single most important predictor of later chronic antisocial behaviour problems including poor mental health, academic underachievement, early school leaving, teenage parenthood, delinquency<sup>18</sup>, unemployment and substance abuse.” (MSD 2007: 1).*

Adding to the complexity of the students needs are external factors that contribute to the challenge WAEC faces in achieving its aim of educating its students, including:

- **Lack of resources:** As Alternative Education was set up in 1999 in response to growing concerns about the “increasing number of young people who were excluded from school

and had few other educational options” (Denny, Clark & Watson 2004:1). While there have been reviews, notably the 2009 review, which has led to increases in some funding resourcing, Alternative Education is still considered by many we spoke with as a ‘poor cousin’ of mainstream schools. They lack the ability to access many of the resources, knowledge and funding streams available to help work with students with high needs.

*“AE students do not have access to the same services as mainstream students” Tutors consistently voiced their concern at a lack of resources to teach and manage learning and behaviourally challenged students. However, they did not want disproportionate resources: they just requested the same resources that mainstream schools are entitled to. (Clark et al, 2010)*

- **Lack of Family Support:** For many students the appropriate support and care from family is not available as outlined in our key themes section. While there is interest in finding ways to better engage families in student learning and behavior, the reality is that for many families it will never be possible. For many WAEC students being at course provides them to access to support from staff and tutors at a level they might not otherwise receive. However tutors and staff cannot provide everything required. The lack of support impacts on a student's ability to engage fully in their education.

At the core of family connectedness is the adolescent's experience of being connected to at least one caring, competent adult in a loving, nurturing relationship. Similar results have been reported by investigators assessing resiliency and well-being among youth who otherwise would be expected to be at high risk for multiple adverse health and social outcomes. (Resnick et al 1993)

- **Transitioning:** WAEC has been referred students who have been disengaged from school and education for sometimes years. The transition into any education environment for these students in particular can be difficult and challenging for all involved. Great time and flexibility is required to ensure a positive and long lasting transition, as has been shown through the WAEC transition mentoring programme. While transitions from Alternative Education into mainstream education are an intended outcome, slow and flexible transitions are difficult to resource and accommodate under current education policy and practice. Challenges include: where the student is enrolled, what funding might be accessed to contribute to resourcing transitioning, little ability to fit into mainstream education curriculum in a flexible manner.
- **Aging In and Aging out:** Alternative Education is available as an option until a between the ages of 13 and 15. However there are younger students who have been excluded from mainstream education, and those that are not able or ready to transition out of Alternative Education for mainstream or other training programmes.

## **Existing collaborations and positive work**

In addition to providing core programme, the WAEC management team have been focused on developing key relationships, partnerships and projects that aim to better resource their providers with the skills, services and resources their young people need. Currently the relationships include:

## Youth At Risk Network (YARN)

WAEC is involved in the Youth at Risk Network (YARN) which was established through the Ranui Social Sector Trail and is made up of voluntary representatives from organisations in the education, health, police and social services sectors. Through this network young people identified as being at risk are identified by one of the members. At each meeting information about that young person and their family is shared between members and a strategy for support developed, with network members being held accountable for ensuring the services, supports and interventions covered by their organization are carried out.

YARN is largely driven the passion of the people involved and relationships that exist between them. The positive side is that they are able to achieve 'quick win's', better co-ordination of services and supports, an ability to work innovatively outside of the standard area of responsibility, and it is an active example of cross sector collaboration as an operational or activator level.

### 2015 Initiatives Timeline

- Feb - Aspire Transition programme opens (15 extra spaces secured from MOE for a new transition programme). Mary McKillop re-opens Amokura returns to the West Auckland Consortium
- 18 Feb - Presentation of ASPIRE programme to MOE offices
- 27 Feb - Health Hub Hui (The first of regular monthly meeting with AE Health Nurses from West and North Auckland, AE Co-ordinators and various other agencies)
- 09 Mar - Kiwisport Funding Application
- 10 Mar - Re-established Rock On process (CYFS, Youth Aid, Truancy Services, with Health Hub added later in the year)
- 01 Apr - Meeting with CAYAD to discuss possibility of AOD survey in AE
- 20 Apr - Humans of Hengo - Collaborative art project between AE and Toi Ora Trust partially funded by Auckland Council and Toi Ora's application to the Working Together More Fund
- 22 Apr - First HCN funded student (aged 12yrs) enters West Auckland Consortium. Creation of a hybrid mentor/teacher-aide position
- 5 May - Consortium Director presents at West Auckland Principals meeting
- 6 May - Meeting with Kevin Emery - Director of Education for Auckland
- 13 May - Special Education re-open a case they have previously closed for a student in Alternative Education
- 25 May - First referral from Special Education into Alternative Education
- 06 Jun - MOE Directors tour of Waitakere Alternative Education
- 26 Jun - Kiwisport application - \$70,000 of funding approved over the next 3 years for the delivery of sports to AE students, from local and national sports bodies. Professional Development for tutors and sports resources included in costing
- 07 Jul - Follow up meeting with Kevin Emery - MOE Director
- 07 Jul - First ever meeting of the YARN Network (Youth at Risk Network) - Youth Aid, CYFS, Waipareira Marata, WDHB, MOE
- 20 Jul - Mural Project - Collaborative art project between AS, Toi Ora Trust and Henderson Police
- 23 Jul - Meeting with Corbans to discuss Art electives for 2016
- 27 Jul - First Kiwisport funded Consortium sports day
- 30 Jul - Memorandum of Understanding signed with Youth Services West, for them to assign a transition specialist to work with each provider
- Aug - Impact NPO weekend - creation of Consortium website and database
- 13 Aug - Meeting with Kevin Emery and the head of Special Education with all of the Co-ordinators for Auckland Region - Special Education commit to working collaboratively with AE in Auckland
- 25 Aug - Four extra places granted to Waitakere Consortium, due to consortium being at capacity
- 15 Sep - Waitakere Alternative Education students participate in their first ever Secondary Schools sports competition, playing in the Ki O Rahi Tournament
- 28 Sep - Professional Development in Mentoring and coaching undertaken by W.A.E Director with Green Bay High School middle and senior management team
- 15 Oct - Youth AOD insights workshop with CAYAD. Transcript analysis
- 15 Oct - Presentation to Green Bay High School Board of Trustees, regarding Waitakere Alternative Education
- 22 Oct - First meeting with Special Education case manager, specifically assigned to AE. Triage process established between Special Education Psychologist, Pedagogical Leader, Director and AE Nurse
- 13 Nov - Meeting with head of Unitecs' Youth Development Degree programme to establish a format for tertiary student placements in AE. First student placement to begin in 2016, with more to follow

## How Collective Impact Might Help

Improve success rates of vulnerable and at risk young people in education thus positively impacting on their long term mental health and wellbeing

This section looks at the 5 Conditions of Collective Impact with regard to the WAEC work, and the 3 key areas Collective Impact can provide additional support.

WAEC is involved in some great and innovative work that has many similarities to a Collective Impact initiative and that is having positive results for the young people they work with. One of the challenges however is that the collaborative work however is largely driven through the relationships the WAEC leadership team have with the key people in their partner organisations and networks. There are several key areas that the Collective Impact Framework could offer WAEC and those that it works with, specifically around:

1. Involvement of other 'sectors' not yet participating e.g.
  - a. Policy Makers
  - b. Business
  - c. Other Funders
2. Better Co-ordination of activities, information and resources
3. Communication, Feedback, Measurement and Evaluation
  - a. Provide a vehicle for continuous communication
  - b. Establishing an evaluation framework to build evidence around the work being done, inform future strategy and work.
  - c. Establishing the systems to collect ongoing relevant feedback from all partners to contribute the overall evaluation, and support each partners own evaluation frameworks.

## Cross Sector Collaboration

For large scale social change, cross sector involvement and collaboration is required as it provides a multi-tiered approach to finding solutions to complex problems. In the example of WAEC's work, the barriers to success student achievement include a variety of factors such as: restrictive government policies; inflexible or inadequate service provision for families; silo'd funding streams; inadequate qualification and professional development for tutors; community safety challenges; economic deprivation; transport; housing etc. No one activity can make a significant impact on positive outcomes.

There is support at government level for great collaboration and partnership in the delivery of outcomes and services. E.g.

- a. New government contract terms and conditions that accommodate cross government departmental purchasing of services through the use of the MBIE as the co-ordinating agency in the contracting of providers to deliver services and outcomes that meet multiple cross departmental outcomes and objectives.
- b. Government strategy that explicitly communicates and expectation of more collaborative work within sectors e.g. Rising to the challenge (MOH Mental Health Strategy) – encouraging organisations to work more closely together.

The work that WAEC are involved in is largely driven at the 'activator' level, which are those people and organisations that are actively working in the space of at risk and vulnerable youth, delivering services and interventions. They are more hands on in their operation. The sectors that are missing are the:

- **The 'Enablers'**, or those that can influence policy and strategy at a high level, and who can ensure the activities and initiative as a whole meets appropriate protocol. E.g. around resourcing Alternative Education with the same as mainstream schools (e.g. HCN and Special needs funding), or who could influence variance in the aging in and aging out policy for Alternative education.

- **Business** who have a part to play in across the initiative as activators, funders and supporters. They also bring knowledge that can be useful in more innovative alternative funding models such as social bonds or social enterprise.
- **Other Funders** have a role to play in the initiative. While education outcomes fall under the Ministry of Education, other supported outcomes fall under other government departments (e.g. MSD, Justice etc). Philanthropic funders also have a place in the initiative. There is a movement across the area of philanthropy to be more strategic in giving and also to support youth. Opportunities to support innovative work that has robust systems, process and evaluation is an attractive proposition. Philanthropic funders may also be a place to explore more innovative long term sustainability funding strategies – e.g. leveraging philanthropic funding for innovative work that meets government level objectives and provide an opportunity for potential contracting for outcomes and ‘social bonds’ styled funding arrangements.
- **Community** is important as they live and breath the work and impact made. Their involvement ensures the intention of the initiative maintains integrity and realism. In the WAEC work this would mean youth people and their families. While they may require a level of support to facilitate their involvement, evidence of other Collective Impact initiatives where community have been involved suggests that effort is well worth while.

## 5 Conditions of Collective Impact

### Common Agenda

Current Situation: There are commonalities and complimentary factors to the vision, objectives and intentions of each of the organisations involved in working with at risk and vulnerable young people in West Auckland.

Potential: The commonalities of focus of current partners suggests that finding a common agenda is possible, especially if it is broad and inclusive. Once participating organisations and people from the missing sectors (government/policy, business, community, funders) have been invited in further work would be required to reach a common agenda among all.

### Mutually Reinforcing Activities

Once a common agenda is agreed it is easier to see and select the strategy for the initiative moving forward, and for organisations to align activities so that they are more supportive, and better achieve the desired outcomes. With the WAEC work this is happening to a small degree through the YARN network, the Ranui Social Sector Trial work that has encouraged more collaboration between services, and the relationships that have been developed. Through the interviews as part of this research there was however a general consensus is that there are good resources in West Auckland for those in need, but that these aren’t well co-ordinated and as a result gaps exist and double ups or overlaps exist

“We (community/agencies etc) have the resources – but they are not well co-ordinated e.g. 17 agencies and programmes for 1 family” Sue Gill (CYFS)

“ Huge capacity is paid for but its not appropriately working in terms of hours, collaboration, time sensitivity” Mark Veale Ranui Social Sector Trial

### **Shared Measurement**

Shared measurement systems and evaluation help move past the fragmented piece-meal information to a more cohesive full picture of what is happening. Along with an agreed common agenda the indicators that show whether that agreed outcomes are being meet can be measured and used to determine success, and inform future planning.

WAEC has the beginnings of a database that look at education specific information such as numbers, attendance and achievement. The police have data on youth offending rates etc. There are also other tools and measures being used that may support a broader range of indicators. E.g. Health Wests' AE nurse has provided the strengths and difficulties questionnaire to gather baseline data on students when enrolling in Alternative Education. Toi Ora are also using this as a method of evaluating baseline and post programme changes for their resiliency project in 2016.

There is definitely room for a more cohesive and complete evaluation model and measurement framework that is both quantitative and qualitative in.

### **Continuous Communication**

Conitnuous communication and feedback enables the collective to respond quickly and ensure outcomes remain the focus. Currently communication between partners working with WAEC occurs through informal means, and the YARN meetings. This has some limitations in that the YARN meetings are not currently minuted and there is no tracking of progress of young people identified through YARN.

### **BackBone Support Functions**

Currently WAEC And the Ranui Social Sector Trial are supplying what are essentially backbone support functions for the collaborative work that is happening. There are challenges with this as the Ranui Social Sector Trial finishes in June 2016 and work is being done to encourage the work they have initiated to continue under the umbrella of appropriate organisations in the community. The WAEC have limited capacity to manage what is essentially becoming a large and comprehensive network of partners.

Functions and roles that are important for the sustainability of the initiative include:

- i. Co-ordination
- ii. Communication
- iii. Advocacy for Policy Change
- iv. Finding Funding

## **LITERATURE REVIEW**

Is available on request or with the full report:

In the review of literature the research team looked at:

- Government (local and national) policy and strategies that impact or influence outcomes for young people.
- Existing research that looks at similar or complimentary areas of groups of young people.
- International case studies on Collective Impact
- International trends in achievement positive mental health and wellbeing outcomes for young people.

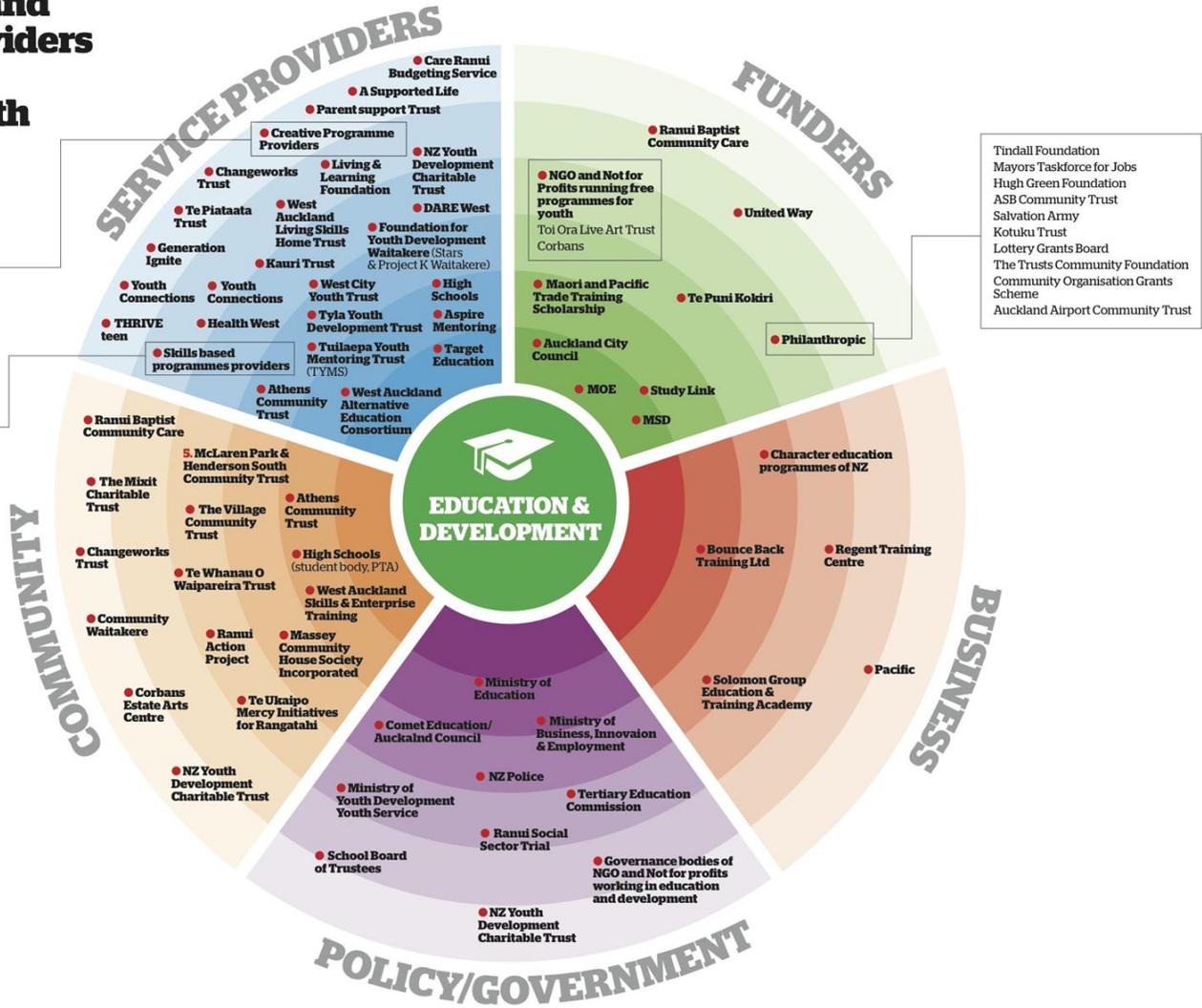
## **Appendix A: MAP OF ENVIRONMENT**

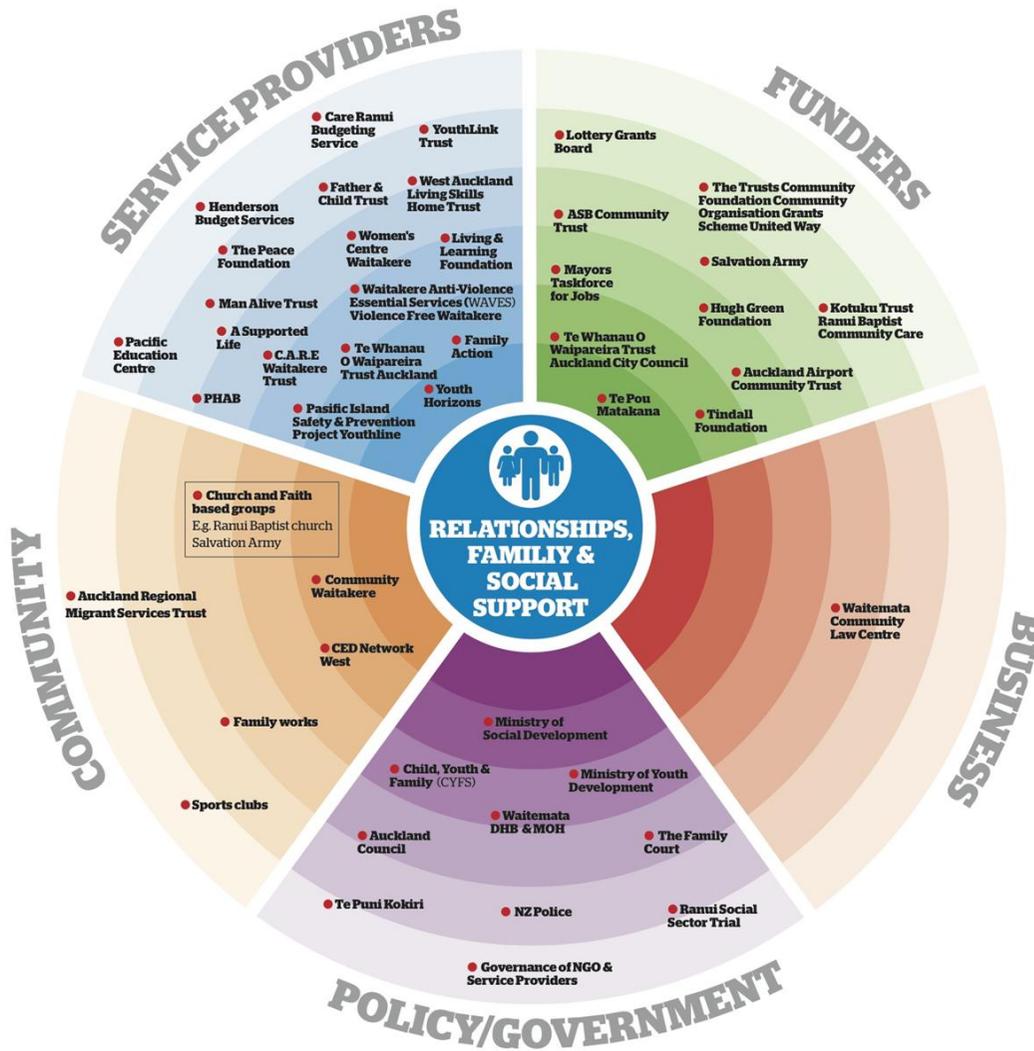
A stock-take of the organisations, people, agencies and businesses working with youth in West Auckland. In the centre are those working most closely or directly with the theme and moving out toward the edges are those that work with or in the theme but less directly or closely.

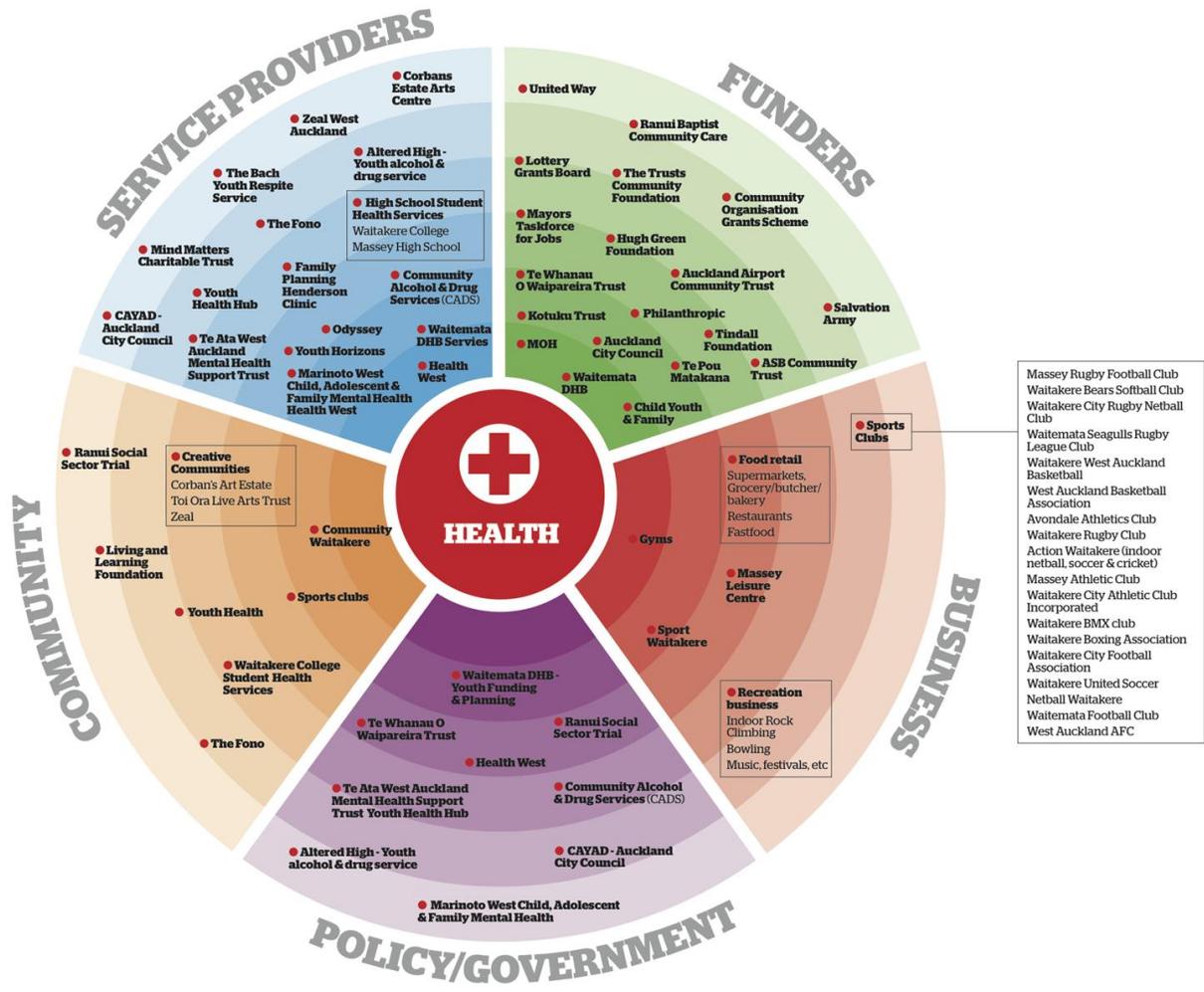
# West Auckland service providers in the youth mental health area

Corbans Estate Arts Centre  
 Toi Ora Live Art Trust  
 Zeal West Auckland  
 The Mixit Charitable Trust  
 Vasa Pasifika Creative Learning Trust

West Auckland Skills and Enterprise Training  
 Character education programmes of NZ  
 Regent Training Centre  
 Literacy Waitakere  
 Aspire Youth Programme







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# Female Leadership Styles in Fijian Social Enterprises

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## ABSTRACT

This paper reports the preliminary results of a study examining the contextual effects on female leaders of Fijian social enterprises. Drawing on accounts of practice described by four female leaders, we find leadership in these social enterprises is oriented towards social inclusion, helping, complying and instruction. Female leadership in this context is influenced by Fijian societal norms and practices in a traditional patriarchal society that is undergoing institutional change in relation to gender development. To achieve specific goals, these four leaders combine different forms of leadership which correspond to Goleman's (2000) democratic, affiliative, coercive and authoritative approaches. We propose this hybrid style of leadership represents acceptable ways of leading as it is consistent with Fijian societal norms, yet female leadership is likely to adjust as these norms change over time.

## KEYWORDS

Female leadership; hybrid leadership; social enterprise; social entrepreneurship; norms; Fiji

## INTRODUCTION

Social entrepreneurship and enterprise is an activity that creates social and economic value. It can be initiated by an individual, or undertaken collectively by a group who work together in an organization (Spear, 2006). Social entrepreneurship and enterprise scholarship has made significant advances in the past decade, yet it remains a field in need of further theoretical development. In particular, there is still much to understand about the effects of context on the practical operation of social enterprises as organizations that trade and generate social and economic value for a disadvantaged population or place. Kerlin's (2010; 2013) contributions have highlighted institutional influences on SE&E in many nations; yet Kerlin herself acknowledges further analysis is required especially in emerging economies. As set of socially situated actions, social entrepreneurship and enterprise activities are conducted successfully only by appreciating local cultural, social and political elements (Griffiths, Gundry, & Kickul, 2013), yet grasping the effects of different contextual manifestations on SE&E practice is at an early stage (Aloulou, 2016).

Given the well-known definitional difficulties in this field, we discuss social entrepreneurship and social enterprise in this paper using the acronym SE&E. Social entrepreneurship is considered to be a process of enacting beneficial social change that generates social innovation and social value. Social enterprises are examined as organizations that create social value through business activities that support the organization's social or environmental mission. Social enterprises serve as the platform for leaders (who may or may not be social entrepreneurs) to develop opportunities to implement social entrepreneurship and create social value.

A few studies have examined social entrepreneurship and enterprise in Pacific Island contexts, yet a recent review demonstrated that research from this region is largely generated by Australian and New Zealand scholars (Douglas, 2015) with little involvement of Pacific Islanders (Saviz, Fernandez, & Basha, 2012). Indeed, there has been little systematic attention to social entrepreneurship as a change process or social enterprise organizations in the Pacific region, even though successive New Zealand and Australia governments have developed many programs aimed to improve the wellbeing of the Pacific Island populations (Department of Foreign Affairs and Trade, 2015; Ministry of Foreign Affairs and Trade, 2011). It is difficult to support the successful development of complex social entrepreneurship and enterprise initiatives without a good understanding of the institutional context, yet there has been little attention to cultural influences on social entrepreneurship practice or social enterprise leadership in Pacific Island nations.

This paper reports the preliminary results of a study which examined female leadership in Fijian social enterprises as one of the first systematic social entrepreneurship and enterprise studies in Fiji. Using Goleman's (2000) leadership framework, we examine how institutional arrangements affect the conduct of leadership by females in Fijian social enterprises. The questions guiding this study were: How do women lead social enterprises to influence others? Is this form of female leadership considered to be legitimate and acceptable in Fiji? The paper progresses by examining the limited literature on leadership in the SE&E context with particular attention to Fijian studies. After describing the interview methodology, we present our analysis and consider the implications of the dynamics underlying the leadership styles observed.

## **LEADERSHIP IN SOCIAL ENTREPRENEURSHIP AND ENTERPRISE**

Leadership is a social interaction process whereby agents exert some form of influence so others will fulfil obligations, perform tasks and achieve a desired outcome. Leadership is embedded in a particular context, and leadership styles are legitimized if they are considered acceptable ways of leading in that society. In general, a style of leadership is considered acceptable and legitimate when it is consistent with the cultural, political and social context of a society.

### **Leadership Styles**

Goleman (2000) proposes six leadership styles help leaders manage organizations effectively: Coercive "do what I say"; Authoritative "come with me, you choose the process"; Affiliative "people come first, harmony and morale; Democratic "what can we do together, give everyone a voice"; Coaching "here's how I do it, you can as well"; and Pacesetter "expecting high performance." Effective leaders apply each style in different situations to optimize performance (Goleman, 2000). A leader using an authoritative style communicates their vision for others to follow and persuades others with their justified authority in order to get work done. A democratic leader encourages stakeholder participation aiming for consensus and expecting that a positive organizational climate

will enhance performance. Transformational leadership is a proactive process of raising awareness of opportunities based on collective interests, and helping others to achieve their goals (Antonakis, Avolio, & Sivasubramaniam, 2003). This leadership approach is associated with affiliative leadership, and it is often associated with inclusive democratic leadership.

### **Leadership in Social Entrepreneurship and Enterprise**

In contrast to business leaders who aim to maximize private profit, SE&E leaders act to benefit others. The process of creating social and public benefits requires SE&E leaders to work collectively (Spear, 2006). As an agent of change, the SE&E leader must have a capacity to bring others together and the ability to influence people, so people oriented leadership is necessary for a social enterprise to be successful, (Dees, 2012) to engage others in the social mission and mobilize resources within or beyond the organization (Di Domenico, Haugh, & Tracey, 2010). Thus, SE&E is embedded in social networks which are facilitated by the quality of social relationships (Smith & Stevens, 2010). SE&E leaders require a specific set of skills which allow them to maximize public benefit and concurrently be transformational and democratic while influencing others to achieve the desired social mission. Developing cooperative relationships and trust between social enterprise leaders and stakeholders (including members) is an essential step towards the effective implementation of SE&E (Smith & Stevens, 2010). Social enterprise leaders must be able to build relational skills and accommodate the needs of others in order to achieve their mission goals. Developing quality relationships with others is necessary so all involved in the enterprise might work collectively towards achieving the social mission. This relational leadership (Uhl-Bien, 2006) approach is “the strategic use of relational skills such as emotional and social intelligence in fulfilling one's positional role in an organization” (Fletcher, 2010, p.121). Leading social enterprises is a social process of building relationships with others, and external environmental influences affect this process, yet little is known about how leaders lead their social enterprises.

### **THE FIJIAN CONTEXT**

Fiji is a small island nation in the South Pacific region situated at the crossroads of Melanesia and Polynesia. The traditional culture of Fiji is Polynesian while its people are Melanesian in appearance. As is common across Polynesia, Fiji is organized around a traditional system of chiefs (turaga) who are located at the top of the social hierarchy within their tribes (yavusa) and clans (mataqali). Below chiefs are a group of supporters who hold different traditional roles in relation to the chiefs such as sauturaga (advisors), matanivanua (spokesperson), bete (priests), bati (warriors), gonedau (fisherman), and mataisau (carpenters) (Sutherland, 1984). Under this traditional social structure, women are expected to submit to the decisions and command of men who dominated decisions made at the yavusa and mataqali levels (Ravuvu, 1987). Within this structure, Fijian women have high status only if they have chiefly ancestry. The traditional role of women is restricted to childbearing and caretaking, so the majority of village women have low status (Reddy, 2000).

After gaining Independence in 1970, Fiji was exposed to external development influences and underwent rapid modernization (Sutherland, 1984). As a result, the traditional patriarchal structure has been challenged by modern ideas. An institutional development which is particularly noticeable is the incremental changes in women's empowerment and attempts to address women's issues (Reddy, 2000). In 2014, the Fijian Government launched the National Gender Policy, developed in accordance to the Beijing Declaration and Platform for Action and Convention on the Elimination of All Forms of Discrimination Against Women which was ratified by Fiji in 1995 (Ministry for Social

Welfare, 2014). The policy provides a national framework to guide the National Women's Plan of Action to address many challenges that Fijian women face including violence, discrimination, lack of leadership and economic opportunities, and poor access to education and health services. Although there is a national gender policy, women still have limited opportunities to influence decisions and access resources, and they continue to be challenged at the yavusa and mataqali level by the dual institutionalized norms of patriarchal traditions and the strong commitment within Fijian society to the conventional role of women.

### **Social Entrepreneurship and Enterprise in Fiji**

Both commercial enterprises and SE&E in Fiji have important obligations to citizens and civil society (Chand & Naidu, 2010, p. 192). SE&E in Fiji is an indigenous endeavour undertaken by community-based enterprises that aim to integrate indigenous cultural practices and values into economic processes (Farrelly & Vudiniabola, 2013). Fijian social enterprises often operate as cooperatives involved in microfinance, farming, and protection of women's and workers' interests, all of which embrace ethical principles (Qalo, 2011). Gibson (2012) found that indigenous Fijian (iTaukei) entrepreneurs face competing economic and social tensions revolving around traditional communal obligations. She suggested that indigenous businesses in Fiji adopt the SE&E logic of using profits for community development since the pursuit of social goals, social responsibility and the culture of helping each other, and especially helping those who are underprivileged, aligns with SE&E logic. Yet the power imbalances between men and women embedded in Fijian patriarchal society constrains women who seek authority and leadership positions. Whether these processes operate in the context of SE&E leadership is not yet known.

## **METHODOLOGY**

Adopting a social constructionist approach, data were generated from semi-structured interviews with four female leaders of Fijian social enterprises. Each participant was purposefully selected to reflect different approaches to leadership, each held a key, influential position in their social enterprise, and each was actively involved in making decisions and mobilizing resources. All interviews were audio recorded and transcribed verbatim. We encouraged each participant to interpret their experiences as freely as possible in the interviews. We adopted a general inductive approach (Thomas, 2006) for data analysis to develop concepts that were meaningful to the nature of leadership in this context. Preliminary findings were interpreted in relation to the extent literature, especially Goleman's (2000) leadership framework and Uhl-Bien's (2006) relational leadership theory. The next section describes the four Fijian social enterprise leaders.

**Leader1** is the Manager of a civil society organization that operates a microfinance unit offering loan and saving services for poor Fijian communities and provides opportunities for them to improve their standard of living. The microfinance business unit recently underwent changes, especially of the organization's service delivery model which moved from an unsustainable group approach to a more sustainable method focused on solving the needs of individuals and their dependents. Leader1 promoted a microfinance service package ensuring that the package accommodated the needs of couples, parents and their dependents. Since becoming the leader, this woman adopted a gender-balanced approach by expanding the organization's client base. The organization now offers microfinance services to 60% women and 40% men, whereas similar organizations have only male or only female clients.

**Leader2** is the Chairlady of a women's cooperative that operates a retail shop to provide necessary groceries for its members and the village. In the past, the cooperative has had performance challenges resulting in members' resistance to previous leaders. The new Chairlady implemented her vision and, through her strong leadership has ensured a sound financial performance. Leader2 encouraged the participation of targeted beneficiaries, mostly village women, and to enhance the relationship between the leader and local women rather than quickly trying to solve their problems. Leader2 brought women together to make decisions and enjoy themselves while carrying out tasks such as organizing social fundraising gatherings, known as soli, and persuading members to make financial contributions that would offer future financial benefits. The women decided how they would contribute to the social enterprise how benefits would be shared. At the same time, this leader could be directive and ensured that staff carried out tasks according to her expectations.

**Leader3** is a Chairlady of a cooperative which supports a small group of disadvantaged, unemployed women in a village who come together and generate income to support their families. The cooperative operates several social enterprise ventures that harvest honey, process virgin coconut oil, and farm fruit, vegetables and flowers. Leader3 talked passionately about her personal journey from poverty to a decent standard of living. As a founder, she gathered a few women from her village and embarked on establishing each venture with the Chairlady responsible for finding members to join the social enterprise. There were challenges associated with a small group of village women operating a social enterprise, and this female leader expressed her passion in communicating, sharing and teaching others. First in her village and later in other villages, she conducted training workshops to demonstrate how to nurse and harvest honey so others might benefit from her experience.

**Leader4** is the President of a self-governing non-profit organization which provides care services for children from the clan and nearby villages. Operated by a group of women from the clan, the organization finances care services through a number of ventures including pearling, honey, and hiring kitchenware. This President's leadership differs from the other leaders in that she adopts a softer approach. The President expects members' commitment, but understands when this is a problem. For example if they cannot attend functions, she expects they might need some financial or other benefit for attending; however the social enterprise is resource constrained and cannot meet all members' needs. When compromise between members and executive management was ineffective, Leader4 made decisions with the Secretary and Treasurer and expected members would either agree, or if necessary discuss these decisions with the executive.

## **FINDINGS**

These female leaders adopted four distinct forms of leadership related to social inclusion, helping others, instruction, and complying. Each will be discussed in turn.

### **Female leadership oriented towards social inclusion**

Social enterprises leaders discussed social inclusion as a way to address disadvantage or to build local economic activities so members gain employment and improve their family situation. Leadership for social inclusion is highly relevant to the Fijian context: inclusion and citizen participation is embedded in the Constitution as a founding value of the nation along with equality, democracy, non-discrimination and freedom of association. Social inclusion acknowledges the presence of inequality in society. When inequality exists, some members of society are excluded

from mainstream services, activities, and opportunities. In contrast, social inclusion anticipates that the needs of all members of the society should be embraced and addressed, and that all citizens should be able to participate (Allan, 2003). The social inclusion leadership approach is associated with Goleman's (2000) democratic style which incorporates a spirit of collaboration. All participants demonstrated democratic leadership and involved others in the enterprise. For example, Leader1 employed an inclusive approach to broaden the client base and enhance service delivery:

We provided them with [financial literacy] working tools so they go back to their community as our agent to collect savings and bring it down to us here. We work with their village headman as well, who normally organize the community so everybody contribute towards our work to address financial needs of underprivileged community members. (Leader1)

### **Female leadership oriented towards helping**

Assisting others is a central element of SE&E and these female leaders provided many examples of their helping intentions. For example, many of these female leaders worked with mothers to improve their capacity to support their family. Venturing activities such as selling roti parcels and doing barbeque in the streets every day and night are laborious tasks for women, so Leader1 and her staff assisted financially struggling mothers provide for their children by starting a small enterprise such as a hair salon. Helping is an acceptable behaviour in Fijian society, especially to improve the welfare of others. This behaviour is consistent with the Christian moral standards of living. Fiji is a predominantly Christian nation with more than 60% of the population embracing this religion (Fiji Bureau of Statistics, 2012). In Christian traditions, helping a person who is disadvantaged or suppressed is an expression of kindness and willingness to improve the situation of others. Female leadership oriented towards helping is associated to Goleman's (2000) affiliative style. As affiliative leaders, they aimed to creating bonds and social harmony among targeted beneficiaries, especially those who faced disadvantage or a distressing situation. This approach is evident in Leader3's account of aiming to create positive impacts on the lives of village women:

I want to help these women like me in raising their kids and their family out of poverty. This is why I formed this group and gave the land for them to work so we can generate income together with the hope that we can raise our standards of living. (Leader3)

### **Female leadership oriented towards instruction**

Instruction is a process of teaching, developing skills, and directing others on the correct way to accomplish tasks. Female leaders expressed their commitment to influence stakeholders through direct instruction. For example, Leader2 trained cooperative members in basic nursing skills and demonstrated how to harvest honey. Likewise, Leader1, collaborated with her team to deliver financial literacy training to government and civil society organizations. Passing on knowledge through storytelling and oral traditions has always been part of the traditional practices among Pacific islanders (Finnegan, 1990). Much of the history of Pacific Island communities, including Fiji, was constructed through this form of instruction. Hence, information that is passed on by knowledgeable (usually older) generations is considered an acceptable social process. Respecting those who hold this knowledge is important in the instruction process. This style of leadership based on instruction is associated with Goleman's (2000) authoritative style. An authoritative style of leadership is appropriate when a new vision or direction is being pursued. For example, Leader2 embedded authority in her leadership strategies:

I told them -you pick a Committee and give them a duration of 3 years instead of 5 years which is too long and they may play haywire. The three-year period will do because the first year, one will teach them to know the work, and on the second year they will practice what they learn. On the third year they will try to keep that standard so that when the next Committee comes in then can bring the performance to the next level. (Leader2)

### **Female leadership oriented towards complying**

Complying is an act of following, listening, and obeying the rules, lessons, procedures, and directives as instructed by leaders. In complying, behaviours and actions are adjusted to the required standards, procedures and rules expected by leaders. The legitimacy of complying behaviour is consistent with traditional chiefly structures in Fiji. Hierarchical arrangements also are associated with the bureaucratic British colonial administration as an acceptable way to organize and allocate responsibilities throughout the provinces, districts and villages in Fiji. Hence, complying is an acceptable conduct in Fijian society. These female leaders applied complying leadership in two ways –by shaping the enterprise activities to meet Fijian traditions, and also by coercing members and staff to comply with their wishes. Table 1 below provides examples of complying leadership. SE&E leadership oriented towards complying is associated with Goleman’s (2000) coercive style in which the leader demands the compliance of members or targeted beneficiaries. A coercive leadership style is suitable in a situation requiring urgent change, however if coercion is applied inappropriately it can create a negative impact on the organization’s climate and performance. Thus, a coercive leadership style must be applied in a reasonable manner to ensure all stakeholders comply. Leader2 clearly expressed a coercive intention, believing this would improve staff performance:

I have to step my two feet. I don’t play haywire. If I said No it’s a No. Because I’ve experienced failure hurts. I always tell that to the mothers and my Committee if I check the sales of the day. I might expect the [shopkeeper] to work according to \$100 a week. I expect her to start 6 o’clock in the morning; she has a break at 8.30 am and comes back at 10 am. She goes home at 1 pm then comes back at 3 pm and she opens until quarter to 9 pm or when there’s a due she would go on till 10 pm. I always tell her, if you know that you deserve that \$100 then you should put the amount of hours that is worth that amount. (Leader2)

While some female leaders in this study applied a coercive approach successfully, others did not appear to be sufficiently tough. For example, Leader1 applied coercive influence effectively to ensure her staff worked hard and completed assigned tasks on time. Her staff worked without much resistance; however by not applying coercive influence at any time due to her softer nature, Leader4 was less ineffective. Leader4 embraced a democratic and affiliative leadership and involved her Committee members in leading and implementing the social enterprise initiatives. However, she applied no pressure on members, and the members’ perceived no consequences in not complying. Applying a coercive leadership style depends on the female leader’s personality, that is, she needs to have the will, capacity and drive to discipline others.

### **Multifaceted female leadership**

In this study, female leadership in SE&E revolves around working together to provide social and economic benefits for a targeted group of people. The hybrid leadership approach observed in this study is associated with Fijian societal norms, Christian moral values and standards along with

traditional rules and practices entrenched in the Chiefly system of rule and the bureaucratic system installed in Fiji under British colonialism. In their leading, all four women complied with traditional cultural gender expectations and recognized the importance of complying with the law as well as rules and procedures, but there was no uniform approach to leadership. To achieve good outcomes for the organization, female leadership in Fijian SE&E requires women to be flexible and apply different leadership approaches. All four women used democratic and affiliative approaches and Leaders 1, 2 and 3 adopted an authoritative leadership approach to instruct others. Leader2 clearly described her coercive leadership practice. A coercive style of leadership is characterized by enforcing compliance. Despite the potential negative impact of coercive leadership, it is appropriate when there is an urgent need for an organization to generate change. These female leaders were able to resolve the negative impact of a coercive leadership style by more often applying democratic or affiliative leadership.

To be effective in influencing others and progress the social mission, female leaders need to be flexible and confident in their ability to lead, as well as having the drive and self-control to apply different leadership approaches. Leadership approaches need to be perceived as legitimate if they are to be applicable to the particular situation, that is, Fijian society needs to accept that there are different, morally appropriate ways of being a leader. Table 1 summarizes the findings of this study, the four forms of leading, the association between these forms and Fijian institutional arrangements that confer legitimacy, the connections with four of Goleman's (2000) leadership styles, and several examples from the four female leaders in this study.

## **DISCUSSION**

The study examined how women lead Fijian social enterprises and whether their leadership was considered legitimate and acceptable in a conservative patriarchal society undergoing gender development. The study establishes a close relationship between societal norms and the leadership approaches these female leaders employed. Consistent with Osborn et al. (2002), our findings confirm that local context influences and shapes leadership. The particular influences in this study were cultural traditions, gender expectations and organizational characteristics in that social enterprises operate for ethical reasons (Antonakis et al., 2003). All of these elements affect how female leadership is practiced in the Fijian SE&E context.

**Table 1: Female leadership in Fijian social enterprises**

Leading Forms and Principles	Legitimizing Fijian Institutional Context	Goleman's Styles	Examples from female Fijian SE&E Leaders
<p><b>Social inclusion</b> Acknowledges inequality in society</p>	<p>Fijian Constitution embeds inclusion and citizen participation as founding values along with non-discrimination, equality, and freedom of association</p>	<p><b>Democratic</b> Inclusive and participative, a spirit of collaboration is central</p>	<p>We thought this venture is a good way of helping members in our village. We taught our fellow villagers that this is what we do which is not easy, for example making VCO. We work hard for it and involve them so they can understand us and what we do. (Leader3)</p> <p>We all live in the same village so sometimes to help ourselves to grow I call the women to come to my shed. We all dressed up and come together to do our 'soli' [fundraising]. (Leader2)</p>
<p><b>Helping</b> Seeks to improve the welfare of others</p>	<p>Consistent with Christian morals as an expression of kindness and willingness to improve the situation of others, especially disadvantaged or oppressed people</p>	<p><b>Affiliative</b> Creates bonds and social harmony</p>	<p>I work with our executive to address the unemployment issue in our clan given that most families cannot support children to attend school in their first 5 years. So we are glad now that parents who are unemployed can send their children to our kindergarten for free. (Leader4)</p> <p>When I have this [shop], it brings women closely together. They understand each other. They know the meaning of eating with their head high like that so that they can call one another to come and meet all in need of help. That's how I see it when I'm running this shop. I can help in a way for poverty and teach them to stand up on their own two feet. (Leader2)</p>
<p><b>Instruction</b> Transfers knowledge of traditions, rules, behaviours and actions</p>	<p>Storytelling is a traditional oral practice in Pacific islands and much history and knowledge is constructed this way</p>	<p><b>Authoritative</b> one way instructive communication</p>	<p>We conducted two sets of training to non-government organizations and government ministries as they requested us to come in and deliver financial literacy training and business skill training to their members and in support of their community development programs. (Leader1)</p> <p>I was a trainer for the beehives only for [2 village] area. That's why I wanted to train others. Now all of them have their certificates including for landscaping services as well. When we are about to do something, we will do the training on it. I am the one who teach them. But also if I am going somewhere, I tell all the groups that whatever I can do they can do also. I challenge them all the time. You go on the training, you train and come back and can be like me. (Leader3)</p>
<p><b>Complying</b> Adjusts behaviours and actions to the standards, procedures, rules and attitudes leaders expect</p>	<p>Associated with Chiefly system in Fiji, reinforced under British colonial administration as an acceptable way to organize and allocate responsibilities</p>	<p><b>Coercive</b> demands immediate agreement and submission</p>	<p>We are very mindful that we have to follow traditional protocols if we want to use their structure that is already existing in the village. We have to our <i>sevusevu</i>, a traditional presentation of grog to village headman or chief to seek permission to proceed with our work. (Leader1)</p> <p>Our clan's chiefs and household heads who are mostly men are dictating what we should or should not do. The decision to approve our ventures and activities is made by male-dominated decision makers in our clan. For us, it is customary to respect their decision. (Leader4)</p>

These four female SE&E leaders managed the competing dynamics of organizational expectations and Fijian societal institutions, norms and traditions. Contemporary leadership approaches evolved from traditional Chiefly systems which were influenced by British colonial administrative legacies and Christian customs and values, sculpted by organizational effectiveness expectations, and then (re)shaped by an evolving climate of current gender expectations. The resulting hybrid, multifaceted leadership approach is a complex mix of competing gender and role expectations as these female leaders adapt to their dynamic environment.

The findings from this study extend current understandings of the cultural and relationship effects on leadership. Historically situated relationships (re)construct the direction, goal alignment and commitment of leadership (Drath et al., 2008). As Drath et al. observe, people's beliefs are the basis of the social practices by which leadership is produced through a process of a common sense of direction, alignment, and commitment to a common goal. In this process, people and "context are interrelated social constructions made in ongoing local-cultural-historical processes" (Uhl-Bien, 2006, p. 665). Thus, female SE&E leadership is relational, influenced by significant relationships within and around the organization, and closely aligned with the local cultural context.

While having strong and positive influences on contemporary female leadership approaches, the national gender policy and women's rights movements does not yet appear to have fully reshaped societal norms to accepting female leaders as having equivalent status to males. All of the female leaders in this study aspired to become authoritative, that is, at some point they wanted to be recognized in a position of authority where they could be more influential and create strong positive impacts for the intended beneficiaries of their organizations. Those who employed affiliative and democratic styles of leading would continue to aspire to become authoritative if their position of authority and reputation was not yet recognized. The institutional framework influencing these female leaders suggests they will remain democratic and affiliative in their approach, however if, or when they are placed in positions of authority and offered opportunities to develop their abilities to instruct, they might become authoritative. Alternatively, gender assumptions in Fijian society might change, and new expectations of what is considered to be legitimate forms of leading might be embraced.

## **CONCLUSION**

Fijian social norms are an important element shaping the nature of female leadership in social enterprises. These female leaders applied four different forms of leading: social inclusion, helping, instructing, and complying. Each form of leading is associated with one of Goleman's (2000) leadership styles. All of these female leaders applied democratic and affiliative leadership in their helping and social inclusion activities, forms of leading which are consistent with Christian principles and the constitutional founding values of the nation. Adopting the Fijian oral tradition of storytelling to pass knowledge to others, most of these female leaders adopted an authoritative style to instruct others in new skills. In a traditional national culture based on authority and status, these female SE&E leaders had difficulties in motivating others unless they applied coercive conduct, and some leaders applied a coercive form of leadership which is consistent with the cultural legacy of the British bureaucratic administration and legal systems as well as the Chiefly system in Fiji.

This study extends present knowledge of the effects of culture and relationships on leadership practice. Internal relationships as well as those beyond the organization influence the direction, goal alignment and commitment of social enterprise leadership. More important in this study is the finding that if leadership of ethically motivated organizations, such as social enterprises, is to be

effective, the social mission must align with expectations of what is considered culturally legitimate. If gender is ever to be considered unimportant in nations with traditional Chiefly systems, gender policies need to be combined with active attempts to challenge existing gender assumptions as well as practices that nurture women in how to adopt flexible and effective forms of leading.

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## Theory and Practice

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### Dissecting the “Invisible Hand”: Reconceptualizing Firm Theory. A Practical Innovation Framework for Social Entrepreneurs

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#### Abstract

Adam Smith prophesied the divine intervention of the “Invisible Hand,” implying individual free will united with free markets creates synergy, greater than the sum of the parts, distributing benefits enjoyed by all in society. This paper argues the “Invisible hand,” is not so perfect, innovations are not equally distributing benefits to all.

The question that needs to be asked is how can all in society enjoy the fruits of innovations and not simply the lucky few who grow ever fatter when holding the keys to the Garden of Eden, by their direct ownership or management of the seeds, fruit tree and orchard?

A theoretical approach is taken, dissecting the “Invisible Hand,” reviewing firm theory and relating it to modern innovation practice. In conclusion; a practical innovation framework called, “Social innovation mosaic,” is introduced, as an alternative and improved model for social innovation.

**Key Words / Phrase** : Firm Theory, Innovation, Invisible Hand, Social Entrepreneurs, Social Innovation

#### Innovation Value Creation

Disruption is now everywhere, as old and outdated business models are routinely and regularly supplanted by new innovations in the onwards, upwards and never ending quest to crystallize the value of new innovations. There are many causes cited in “The Great Disruption,” (Wooldridge, 2015) ranging from the internet, robotics, new technologies, emerging markets and changes to business planning and strategy and many more. What is certain is there is a fundamental shift in the economy as tectonic plates move around the globe. Tremors are felt, with earthquakes shaking all to the core. Volcanoes erupt spewing their lava causing havoc in their path and tsunamis leave devastation in their wake. It is at these very inflection points of time, new theory and practice evolves simultaneously from the ashes of destruction and devastation caused by the disruption. Adam Smith was an outsider to the dominance of mercantilism. As was then, the time was ripe to carve out new theory and practice as (Smith, 1759) did with his metaphor of the “Invisible hand.” The time has come again.

What exactly is the abstraction of value from innovation and where does it come from? (Schumpeter, 1928) posited, “Value creation results from actions that entail the novel combination

and exchange of resources, by which resources are diverted from known applications to be deployed in new contexts.” Innovation discourse typically refers to it as the implementation of a new or significantly improved good or service, or process, or new method. According to how (European Commission Eurostat, 2016) define innovation, it is a construct of the firm. “The minimum requirement for an innovation is that the product, process, marketing method or organisational method must be new (or significantly improved) to the firm. This includes products, processes and methods that firms are the first to develop and those that have been adopted from other firms or organisations.”

Implied within the innovation process is the assumption competitive and efficient markets ultimately select innovations that create value for end consumers and the firm’s stakeholders. Value creation for end consumers is predominately in the form of novel, cheaper, more efficient or robust products or services. Those innovations not deemed as worthy for respect by consumers are quickly discarded, becoming museum artefacts of a bygone era, lost relicts stored in home attics or unlovingly discarded as landfill. Sony “Walkman,” eventually supplanted by Apple’s “iPhone,” creative destruction in full glory. This is not to say all innovations are eventually destined for the scrap heap, vinyl records are making a comeback, books in physical form after an initial decline from e-books are back in vogue. Time and time again an innovation that once was of high value to consumers and those innovative firms supplying such products and services eventually succumbs to terminal decline, as new market entrants offer products or services superseding incumbent firms. Value in all its forms is destroyed in the process of creative destruction (Schumpeter, 1943). Combined with a firm’s need to continually achieve higher profits and therefore remove external burdensome costs, a complex set of social and environmental externalities become apparent. These exogenous costs range from redundant jobs, skills mismatch and unemployment, to environmental damage, pollution and waste to name but a few. Attempts to regulate and place the burden back on firms can be easily thwarted by them. In the creative destruction process the final demise of a firm with limited liability into bankruptcy and liquidation simply and conveniently absolves a firm from all future liability. The State and therefore society at large shoulders the future costs and clean up operation of externalities left behind by the demised firm. Longer term implications of firm bankruptcy in the process of creative destruction is that, more often than not the State in a variety of ways supported early stage value creation of a firm’s innovation. Grants, tax breaks and various forms of incentives are given by the State to encourage innovation at the early stages of value creation. (Mazzucato, 2013) cites many examples of how it is the Entrepreneurial State and not private investors who provide early stage seed funding and identifies Google among many other firms who have significantly benefitted from State support of innovation. In essence profits of innovation are privatized with private stakeholders enjoying the upside and losses are socialized with the State and society picking up the tab of the costs. These social costs may take the form of pollution, environmental damage, unemployment, inequality, higher taxes, social welfare, redundant products and services and so forth. To be blinkered and therefore blinded by the value creation side of innovation as (Smith, 1759) assumed, the “Invisible hand,” would be morally obliged to giveth and never taketh away is to cross a street without looking left and right. The destruction of value has inevitable negative consequences and is extremely burdensome to society. If creative destruction is accepted and underpins the process of innovation, therefore value created by an innovation is not only eventually destroyed in the long run, but more importantly new innovations create destructive forces of external social costs, as the “Invisible hand” can and does taketh away. This paper argues that real value for society from innovation must be viewed from both ends of the lens, that is value that is created, but also value that is destroyed in the process (Schumpeter, 1943) describes as creative destruction. It is not enough for Smith to simply assume innovations that

achieve the greatest profit for the merchant trader at the cheapest and most efficient cost for the consumer maximizes value for all in society.

To clarify what is meant by the value creation of innovation and how this paper relates what the “Invisible hand,” in the context of modern innovation refers to, a new definition is offered. Innovation’s Value Creation : the process of improvement whereby perceived overall net benefits of enhanced economic, environmental and social well being, (The Triple Bottom Line (Elkington, 1997) of people, planet and profit) is captured and shared as equitably as possible amongst all those in society who may lay a claim to a stake. For society as a whole to derive value from innovation it is a prerequisite for all in the value chain and not simply those with a direct financial interest to benefit. Reiterating the recent (Bowden, Blackburn-Wright and Tyndale, 2015) report on shared value in Australia and what it means, economic improvements and prosperity can be achieved by solving the myriad of social problems prevalent in society. The concept of shared value has been articulated by (Porter and Kramer, 2011) creating community and company cycles of prosperity with enduring profits. Although it should be noted, Porter et al. still assume and refer to profit as the overarching goal.

It is value creation of innovation, captured by merchant traders and assumed by Adam Smith which would be distributed for the benefit of all in society, that this paper argues underpins the abstraction of the, “Invisible hand.” Central to this paper’s argument and the concluding framework is for society to truly capture and share in the benefits of innovation equitably and as fairly as possible. It is the morals of the “Invisible heart,” that guides. Moving beyond the lens of value creation being exclusively a monetary construct of profit, only then can society reap the rewards of innovation. The “Invisible hand,” only grabs in an unscrupulous handshake, as much as one’s self interest can fit in the size of the palm.

While individuals may have a novel invention or idea, it is the union of forces of firm creation that typically brings about a future innovation. It is ultimately the firm possibly led by the idea creator, but not the individual themselves that creates and destroys future value. This distinction is important in terms of who and what may guide a firm’s decisions. In both contextualizing and defining what innovation is and how it occurs as firms are now integral part of society recontextualizing firm theory is needed to account for social entrepreneurs as a growing new breed of innovators. The firm construct of social enterprise challenges neoclassical theory of the firm as they are not purely motivated by cost efficiencies and profit, but seek to find solutions and solve the increasing number of social problems. This paper argues these social problems are inherently caused by the very nature of how innovation occurs in profit maximizing firms. In essence all innovators should consider themselves, “Social innovators,” if in the innovation process due consideration is given to the benefits as well as the costs of innovation to all in society. The concluding, “Social innovation mosaic,” offers a new framework for guiding the innovation process for the social entrepreneur.

## **Dissecting the Invisible Hand**

The rich . . . divide with the poor the produce of all their improvements. They are led by an invisible hand to make nearly the same distribution of the necessaries of life, which would have been made, had the earth been divided into equal portions among all its inhabitants, and thus without intending it, without knowing it, advance the interest of the society, and afford means to the multiplication of the species. (Smith, 1759, 184-185)

In the context of innovation and division of societies fruits of labour it has to be said and acknowledged, the form and function of society, Adam Smith wrote so eloquently about was not predicated on the illusionary dream of enriching thy self, but more to the point enriching thy neighbour. In so following the commandments of scripture, thy self would be rewarded, but certainly not at the expense of fellow citizens. Society would be guided by a sense of moral virtue, Luke 6:31 (Holy Bible, 2011) "Do unto others as you would have them do unto you." Individuals as beings and society as a unifying host of loaves, glorifying looming innovations would equally enjoy the fruits, breads and wines of greener pastures, if thy neighbour were not thy beggar. A moral compass acting as a roadmap, a guide to the future galaxy, pointing up high, towards the utopian heavens, as the brightest shining star twinkles in the night sky would redeem society from any possible wayward path of sin and evil. Moral bounds of individual character would deliver salvation to all and free society from damnation. Society as a whole would therefore share amongst each other the bounty that innovation delivers, rather than beggar thy neighbour. A tragedy of the commons would be an unthinkable and unspeakable act of the devil, as society would simply wither, rotting and dying at the gates of hell.

Adam Smith argued the divine intervention of the "Invisible hand," would temper the temptation of powerful forces of evil. Implying the free will of individuals in unison with a free market would create synergy, greater than the sum of the parts, distributing benefits across society for all to enjoy. In simplistic terms the "Invisible hand," would temper unintended negative consequences of human's innate greed and wickedness, believing society would be far better off, if innovation were to flourish at the hands of free markets and individual free will. Moral bounds of society would prevail.

Is it just possible modernity comprised now almost exclusively of profit maximizing, rent seeking legal entities, raising and borrowing capital on an unending sea of free floating money, courtesy of Central Banks and the investment bankers, hedge funds and private equity who dispense the elixirs of moneyed capital, do not act in the vested interests of society? Adam Smith posited otherwise allowing his conscious mind and enduring faith in the landlords and merchants of the day not to be so easily swayed by temptation and evil, but guided by existential forces of the, "Invisible hand." Perhaps back in the day when traders and merchants with a handshake accepted at face value the unspoken gentlemanly custom, "My word is my bond," traders would invariable and without question or hesitation, honour thy word. In game theory neither party would attempt to deceive the other, as doing so may have unspeakable physical consequences. However society and legal protection of thy self from physical harm or attack, now renders such gestures or utterances of admirable honour as without substance. A game of deception is now played with regularity between poker players. Unwitting card players draw from the unscrupulous merchant traders stacked deck at their own peril. Proving and laying stake to a claim of property rights is now the name of the game. To even begin to sit at the poker table and place a bet requires greater complexity of laws and regulations. The legal contracts binding such agreements to avoid dispute become so onerous few seldom actually read or invariably understand the contracts they may enter and sign.

### **Nature of the Innovative Firm**

To understand the need to reconceptualise firm theory and why there is a definitive shift towards social enterprise, dissecting the "Invisible hand," contextualizes the evolution of the modern firm. Is the nature of the firm as simple as (Coase, 1937) assimilated or are there reasons for a firm to develop and exist well beyond price, cost and transactional mechanisms? The outcome of profit as

the overarching goal in neoclassical economic theory is baked in the cake, but what if the firm were underpinned by other goals, motivations and measures other than profit? In the context of social enterprise, does the construct of a firm itself organize disparate individuals into a collective association with a common mission other than profit? The concluding “Social innovation mosaic,” (Appendix 1) as a new framework for social innovation is built on the notion the very nature of the firm is guided not by price and profit, but by collective purposeful impact guided by the “Invisible heart.”

Smith had nothing to say about what (Schumpeter, 1943) would describe almost 200 years later as creative destruction, but it has to be said even to this day the value creation and destruction process takes on its own mythical being.

So what currently guides firms? In the UK Limited Liability Act (Act of Parliament, 1855) - similar versions of the legislation have been enacted in most other countries across the globe, creates the framework form and function for the majority of legal entities colloquially referred to as firms. The firm has become the merchant trader’s paradise with freedoms bestowed well above the common citizen. The granting of limited liability creates a toxic moral hazard risk and a wildebeest not so easily tamed. The firm itself is beyond reproach taking on a life form of its own. Most firms command respect once listed on one of the global stock exchanges - a sign of their coming of age from humble begins as a garage upstart. New firm venture creation process begins by bootstrapping in the bedroom or garage aided with some financial assistance from friends, family and fools. Motivations run high, but success is not guaranteed. Is it just the illusionary pot of gold at the end of the rainbow that keeps nascent entrepreneurs motivated? Or is the intrinsic value of giving birth to a new life form and watching the phases from crawling to walking and talking with a sense of self, purpose and independent mind as the innovation grows up more rewarding and satisfying? Is price and profit the ultimate goal for the entrepreneur or is it more the intangible invisibles of simply solving a problem, being a pioneer or simply being with others who may share in the dream and vision? Not that this paper has time to answer such questions, but exploring and reconceptualizing the firm requires greater understanding of entrepreneurial motivations in determining the type of future firm that may evolve. For social enterprise to have any chance of sitting proudly beside profit maximizing firms, clearly articulating a new theoretical framework that does not simply borrow and reframe their firm form and function is essential. The accompanying “Social Innovation Mosaic,” (Appendix 1.) is offered as a new and improved practical framework for social entrepreneurs to aid in the social innovation process.

Lean startup (Ries, 2011), business models, iteration, value proposition pivot and minimum viable product (MVP) are all the catch cry of the startup enterprise. As a prepubescent teenager, early stage seed funding is sought from venture capital and investment bank pariahs, each drawing their pound of flesh. Early adulthood may finally arrive as a listed corporate firm. Regularly grovelling and pleading a case for investment in front of those holding and guarding the keys to the vault of nirvana, as these merchants of Venice hold tightly at the wrist red briefcases filled with wodes of shiny bills, tempting and tantalizing the eyes of the beggar has become part and parcel of new innovation mantra. The question needs also to be asked, should society put such faith in such a small and elite group of merchant financiers who can’t possibly all be fortune-tellers. They act as high priests determining the fate of the mortal at each sermon? Their status is now so levitated they seemingly assume without question they are doing, “Gods work.” Even to the point of having such arrogance and the audacity to publicly utter such blasphemy, (Arlidge, 2009) in his interview with Goldman Sachs CEO. These investment bankers now seal the fate of much of the worlds innovations, by either switching on the heat for an innovation to be warmed in the oven in return for a handsome

slice of the future backed pie, or as is so often the case, cooled in the freezer never to be thawed again. Once investment finance is secured, the future fate of a firm and its' innovation rests more with the financial wizards. As quick as an entrepreneur could say "Abracadabra!" the investment money could vanish, never to be seen again. Many an entrepreneur has been left stranded high and dry as a tidal wave of "Speculative hot money" magically disappears at the whim of the financier. This hot money does a dance around the latest innovation but quickly jumps from firm to firm as quickly as a hot potato passes from hand to hand. The times when finance is needed the most is always when there is a drought. Is the market as free as Adam Smith, so wished it to be, when an essential element of new innovation - handing out the "Dosh," is so tightly controlled by the carpet bag money changers from Venice? The "Invisible Hand" in the financialized global capitalist system is more guided by the "Green fingered moneyed hand!" who's morals have been dissected, and discarded from the limb.

If the evolutionary theory of nurture is accepted as how the human mind is shaped, formed and developed from numerous daily interactions and so it is argued the behaviour of the firm is shaped from birth via similar interactions. It also must be acknowledged nature itself plays its own part in assigning DNA in terms of firm structure at birth to the firm that plays its own part in shaping the resulting firm behaviour and characteristics. It is posited if those leading the innovation and firm have a natural tendency towards dominance with little consideration for those around who may hold little power and have contrary views, the resulting firm is likely to exhibit personality traits more akin to the competitive animal spirits of most major corporations. These kings of the jungle often beat their chest crowning their glory with a name hoisted high atop monuments of perceived pinnacles of success. Intense competition has been a hallmark of the modern firm and economy. Competition is now last year's fashion as collaboration is now hip-hop and cool. Nurturing and collaborating, rather than competing at each step of the firm's development, it is argued may produce a very different culture and set of values underpinning the very nature of the firm. Reconceptualizing the firm to account for the changes occurring in firm practice and the rise in social enterprise is beginning to be researched more widely by Phd candidates (Ohlsson - Corboz, 2013) for example in order to better understand this nascent field of social entrepreneurship and the firms evolving as social enterprises.

The theory of the firm is not yet well developed. Works by Dees, Nicholls, Drayton et al., offers some understand what is understood by social enterprises. The existence of the social enterprise underpinned by social value rather than profit is well outside the realm of neoclassical economic theory. It is anticipated this paper may well add to the understanding and explanation of why social enterprises exist and will continue to grow in relevance to the future global economy. At the very least the attached "Social Innovation Mosaic," (Appendix 1.) is a radical departure to the models used thus far by social entrepreneurs. It is to be expected this new model will enable the flourishing of social enterprise underpinned not by profit by purposeful impact.

Neoclassical economics assumes a competitive market and therefore neither party in a transaction should have the upper hand, but this seems more like fantasy land. Surely in any real model of how the economy and real firms may operate and behave in practice, consideration needs to be given to power structures and power interrelationships? This is particularly true when considering an innovation and who may have economic power to quickly quash an idea, but equally those who may champion. These power relations extend well beyond simply market competitors. For example certain funders will only fund specific types of legal entities, therefore exerting power over the types of innovations funded. The implications this has on an execution strategy of an innovation is profound as an innovation might be grounded at the start simply due to the fact there is a mismatch

between the firm's legal status and a funders ability to dispense funds. The concluding model framework considers these power relationships.

It is too early to say definitively, but it is theorized that altering the genetic make up of the firm and exposing the firm to different stimuli will result in firms of tomorrow acting very differently to the firms of today. In order to understand changes already occurring as new firms assigning themselves the DNA of social enterprise are born and led by social entrepreneurs, reconceptualizing firm theory is needed to account for these new firms that are not driven exclusively by profit maximization, but overarching their mission is social purpose. These new firms and their lead social entrepreneurs may have very different motivations than profit and therefore the very nature of their existence needs further exploration. A new blueprint that does not automatically assume profit maximization is also needed to guide these new firms. The attached "Social Innovation Mosaic," (Appendix 1) offers such a blueprint. A question that needs to be asked; would innovations, startups and the resulting firm follow different trajectories and have different values if they were not so subservient to the venture capitalists who seemingly have the upper hand when it comes to deciding the fate of innovations? If society typically via the State and more recently via the novelty of crowd funding actively supports the very early stage seed funding of innovations, how should society as a whole be rewarded for the risk contribution of funding innovation and share in both triumph but also failure? The concluding blueprint offers the practitioner a model framework to guide such considerations.

Governance via boards and managers overseeing the firm can act and most frequently do act within the realm of the firm, rather than the interests of society. Beating each quarterly and yearly profit target becomes the object of the game for the firm, rather than any real desire to improve the lives of society. "The market," unanimously cheers! bidding up the firm's stock price at points of positive announcement, as the firm achieves its goal. A get rich quick for managers, stockbrokers, bankers, accountants, lawyers and those owning the stock as the achievement of short term goals are immediately and handsomely rewarded. Longer term goals and investing for future prosperity for the greater good of the firm, consumers, suppliers, government agencies and the wider society surrounding the firm, becomes totally irrelevant in the daily pursuit of profit targets. The firm gives little credence to the wider social aspect of how the firm may have achieved the profit goal. In achieving and beating profit expectations little consideration is given to contextual social issues of paying a living wage, wage differentials between the lowest staff and highest paid manager, paying appropriate taxes, and caring for the environment just to name but a few. It is as if the firm is aloof, divorced and therefore oblivious to the reality that it is after all paying customers who underpin the firm, conjoined and inextricably dependant on each other for the firm's own profit and long term survival. Until the day an innovator may offer a better product or service and deal to the consumer.

In fairness and out of pity, Corporate Social Responsibility (CSR) has become a hallmark, an exemplar exonerating any unintended negative consequences of a firm's behaviour. But CSR has its critics and is viewed by them as more a firm's public relations and marketing exercise, rather than genuine compassion for the social imbalances now so prevalent and pervasive throughout society.

Imbalance of firm power is personified by the ability of firms to regularly lobby government and achieve economic outcomes favourable to the firm. At times they often do run counter to the wishes of the populous. Smith is likely to be mortified if he were to witness the assumed power firm's have now grabbed. One could argue there is now complete moral servitude of society to the firm. Not only is society already subservient to the firm, but when things go wrong, as they frequently do with a range of disasters, (BP, BHP, Enron and financial firms) a firm is now too big to fail. The costs and losses of bailing the firm or cleaning up after an environmental, financial or social catastrophe are

born by society at large and not the firm. It has to be said at times when a firm feels overly generous and acknowledges an obligation to clean up, many years typically pass before due compensation is forthcoming. It was in hindsight rather naive of Smith to have simply assumed those within a position of power and influence would always make decisions in the interests of all. It is after all, the power structure and who ultimately makes decisions of the firm, the wheels of commerce do turn.

Many of today's large firms employ battalions of foot soldiers only all too willing to be sacrificed for the greater good of the firm. Burnout is common and life for many becomes the firm. There is little place for life including family outside of the firm. Women, the disadvantaged and minorities are singled out as being potential burdens on the firm, rather than adding a dimension of sense and sensibility. Collaboration does not enter the firm's vernacular, as the words "Intense competition," are indelibly etched on lips. They have armies ready for combat with a will to win the next war on the back of bloated balanced sheets, many multiples the size of most country's war chest. Typically leveraged with exotic and esoteric financial instruments, the modern firm hides profit in the off-shore vaulted caves of the tax haven. What good to society is a buried treasure chest filled to the brim with glistening possessions, that have been captured by pirates purporting to be captains of industry when there is no food for the belly or cloth for the back nor shelter at the inn?

The modern firm may combust without warning at the touch of a button, when a disruptive innovator penetrates their tightly held market share. Nascent nimble and lean startup innovators led by a visionary entrepreneur begin nibbling at the heels of dominant firms. A David versus Goliath battle ensues, innovators disrupting the status quo, challenging the old and championing the new. Out of respect the creative destruction death knell finally nails shut the lid of the coffin of firms that once were, at a silent solemn vigil never to rise again.

The inordinate financial superpower of the modern firm attempts to control innovations. They do this typically via mergers and acquisitions. Buying the rights to future revenue streams and acquiring intellectual property asset rights maintains the status quo of firm prosperity by ensuring the listed firm's equity stock price remains inflated and lofty for a period. Not only does the modern firm attempt to capture innovation, but they act within the interests of what is best for the firm and the self interested managers and shareholders. Tactics such as predatory pricing and legal challenge to infringement of patents are used to ward off competitors. As is so often the case, an entrepreneur and their nascent firm either sells their soul to the devil or is quickly driven out of business by incumbent Goliaths. Only a handful of innovators have the available resources to progress an idea through the stages of innovation to eventual launch, but these disruptors sow the seeds for the eventual downfall of the once giant corporate titans of industry. The process of creative destruction begins with value destroyed, as profits begin to dwindle, stock prices slump and a once loyal oasis of consumers becomes a shimmering mirage. The firm's detonation unleashes a nuclear mushroom cloud, raining down a toxic cocktail of waste, decimating the land for future generations. Boarded up buildings, weeds and rust personify the terminal decay that sets in when a firm and the value that underpinned it is destroyed.

## **Changing Times**

The apocalyptic climax in allowing unfettered markets and individual self interest to dominate society is summed up well by (Sandel, 2012) in "What money can't buy : Moral limits to markets." The free market and individual self interest has morally bankrupted society. Anything and everything is now up for sale with a financial price tag attached. Society now openly accepts the parading in the ultimate ceremonial "For sale," procession of life's pleasures, including friendship, sex, love and

happiness. Not only that, but the very fabric of what underpins society of justice, peace, education and a democratic process can all too easily be bought at a price. Even the air the species breaths, the water drunk and blood from the chalice sustaining a life worthy of living has a "For sale," sticker. Absolving ones sins by the physical payment of redemption is now seen and accepted as a fait accompli in the salvation of humankind. Every aspect of humanity is now ready to be purchased and owned by those with the deepest pockets and the fattest wallets, rather than equitably, morally and lovingly distributed across society. There is now little consideration or compassion by the 1% who own the world, towards their globalized 99% peasant factory or office fodder cousins. For many lucky bidders in the daily auction of the market, on the falling of the gavel, the prized possession becomes a trophy of ultimate success, not to be shared with those in genuine need, but to be accumulated. The purchase quickly forgotten as its relevance and significance simply becomes just another notch on the wall, driving a further wedge between the have and have not's. Or if such a prized possession were to ever be shared with those in genuine need, the strings attached by the righteous property owner would ultimately result in a road to serfdom for those forced to sell their body and soul in return. Either way the poor and downtrodden wretched beggars gasping for help and a desire for an equal share of the pie, as they stagger and stumble on an empty stomach, clutching in vain to unforgiving hope that life may improve, before taking their final breath is not far removed from today's inequitable reality. Animal spirits in full glowing glory, as the lion king roars, devouring their prey, offering up just bones and scraps to the lucky few scavengers. The hunter growing ever fuller at the waist, licking their lips, massaging an already inflated ego, whilst mounting on display a trophy for all and sundry to see. A trophy sits atop, crowning and glorifying a mantel piece, symbiotic of the parasitic power of the highest almighty bidder with the most money, the least scruples and the lowest of need.

In a society in which the money-maker has had no serious rival for repute and honor, the word 'practical' comes to mean useful for private gain, and 'common sense,' the sense to get ahead financially. The pursuit of the moneyed life is the commanding value, in relation to which the influence of other values has declined, so men easily become morally ruthless in the pursuit of easy money and fast estate-building... A society that is in its higher circles and on its middle levels widely believed to be a network of smart rackets does not produce men with an inner moral sense; a society that is merely expedient does not produce men of conscience. A society that narrows the meaning of 'success' to the big money and in its terms condemns failure as the chief vice, raising money to the plane of absolute value, will produce the sharp operator and the shady deal. Blessed are the cynical, for only they have what it takes to succeed. (Mills, 1956)

In biblical times the scripture Matthew 21:12-17 (Holy Bible, 2011) documented Jesus driving the "money changers" from the temple. Morality at the time of the messiah had all but been destroyed. This paper argues modern society needs to again cleanse the temple with a new philosophical and economic blueprint. The conclusion offers such a blueprint commencing at innovation conceptual stage, creating a culture of equitably appropriating value amongst society. Reconceptualising the nature and purpose of the firm in society and how innovation may benefit all inhabitants including the human race, plant species, the animal kingdom and the environmental biosphere will begin reconstructing a broken and unjust society, reapportioning and creating different value sets for the benefit of all. Social entrepreneurs are at the cutting edge of the change in mindset, articulating a new vision for society, underpinned by a new moral code of conduct. However for change to be truly transformative across society and not merely dressed up with a dollop of, "Lipstick on a pig," in the vain attempt to hide the imperfections of neoclassical economic theory, a new theoretical

framework of both business modelling and firm theory is required. Fully understanding the abstraction of Smith's, "Invisible hand" and the relevance, significance and interdependence of morals in cutting, dividing and sharing the economic pie, offers the reader insights that will become apparent when formulating a new theoretical social innovation framework that concludes and viewed in (Appendix 1.).

## **Modern Innovation Practice**

A significant limitation when analyzing an innovation from the perspective of only firms and end consumers as per neoclassical economics is that it excludes stakeholders who may be impacted by an innovation, but may not necessarily have any decision making power. Private firms are viewed as the innovation dynamo economic and legal incorporation inherently guides towards the assumed logical objective of profit maximizing. However the structure of these firms have rather narrow and limiting processes in terms of inclusive, democratic and collaborative decision making powers. As collaboration, co-creation, cooperation and consensus is the new leadership mantra this is not being matched by new model framework to aid the process of innovation as models inherently assume profit maximization and competitive markets as a given.

In assessing worthy new enterprises to invest a capitalists' money, understanding the business model and where value is created and captured has become the focal point of innovation. Business models to a large extent dictate the types of innovations funded by financiers as they follow a similar script that is, what is the pain point an innovation is trying to solve? What is the value proposition and what value can be created and captured by the firm? What are competitors doing combined with the financial up and downside? Osterwalder's, (2004) PhD thesis and "Business Model Canvas", (BMC) a simple one page business modelling framework has become the new venture creation bible across the world. In essence BMC is a rather simple formula for the different variables X, Y & Z to equal V in terms of value creation and therefore profit. But with any equation if you want a different value other than profit a completely new model equation is needed. This is the shortcoming of BMC as a model when the value created is anything other than profit. It should be noted, Osterwalder's (2004) PhD has been cited over 1500 times and taught in practically all Business Schools throughout the world. Over one million copies of (Osterwalder, Pigneur and Clark, 2010) "Business Model Generation," have been sold worldwide combined with regular traffic to the accompanying Strategyzer website.

Given the influence BMC and slight variants of the model has had on the entrepreneur and academic community there has been little empirical evidence to support the extensive use. From the sparse literature critiquing BMC both the following papers are critical of BMC, (Coes, 2014) MBA thesis, "Criticisms, variations and experiences with business model canvas," and (Verrue, 2014) "A critical investigation of the Osterwalder business model canvas: an in-depth case study." It is not the intention of this paper to empirically critique BMC, but highlight the model's short-comings. For the benefit of organizations seeking to establish themselves as social enterprise further work is needed to evaluate the application of modeling tools and frameworks. This includes testing the concluding alternative model "Social Innovation Mosaic," (Appendix 1.). The defining feature of BMC setting the future scene for the business modeling practitioner is its inherent assumption the legal construct of the firm carrying forward an innovation would be profit maximizing and no other. BMC is somewhat lacking in firstly identifying an innovative firms incorporation status or proposed legal identity. This paper argues it is the fundamental legal construct of the aims and objectives contained in a firm's memorandum and articles of association that gives rise to a firm's DNA. It therefore underpins how the firm may then conduct business. Reconceptualizing firm theory offers insights into the

theoretical framework underpinning an organization assigning itself the DNA of social enterprise. The concluding model of this paper (Appendix 1.) offers a new theoretical framework drawing on firm theory in proposing an alternative model to BMC.

If following the logic of (Hall and Saias, 1980) strategy follows structure, a firm legally incorporated as a non-profit entity for example and therefore unable to create value in terms of profits and distribute value in terms of dividends to shareholders may well find BMC a totally inappropriate and ineffective modeling tool. This is particularly true for organizations where value created and key performance indicators measuring the value created is not simply monetary profit, but social impacts. For the practitioner the accompanying "Social Innovation Mosaic," (Appendix 1.) guides the social innovation process logic.

The narrative of innovation as purely a monetary abstraction driven by profit maximization now no longer holds true. Those emancipated by social entrepreneurship support progression of an idea through the phases of innovation without enriching thy self. In moving forward if innovation is considered more as a social construct and therefore the impacts are far reaching potentially altering the very fabric of society should not everyone in society have some form of stake in deciding the fate of a future innovation? If such logic is accepted this has significant implications for the nature of the firm as the innovation conduit underpinning how members in society are rewarded. In accepting such a pretext then logically all innovation should be considered social innovation and all firms adhering to such ideals be social enterprises. Perhaps unattainable utopia, but romanticizing would it not be a nice thought if the real upside benefits of the next Google, Facebook, Amazon or Uber were shared equally across society for all to enjoy the spoils of innovation, rather than society forever picking up the tab for the countless failures and external costs of innovation?

In the pursuit of profit, individual freedoms and common ownership have been lost to the firm without society realizing. In restoring the imbalances and inequalities that exist in society, a new innovation blueprint is imperative for all to share and enjoy the fruits of innovation.

## **Conclusion : Social Innovation Mosaic**

The accompanying framework for practical use by social entrepreneurs called "Social Innovation Mosaic (SIM)," (Appendix 1.) was created from viewing innovation from a different lens to profit maximization. The SIM model is underpinned by the central premise for all in society to share and enjoy the fruits of innovations, purposeful impact guided by the "Invisible heart," rather than Smith's (1759) "Invisible hand," is the key to unlocking the gates to the garden of Eden. Opening the gates for all to share in the harvest of the orchard will once again feed the five thousand, clothe the beggar and shelter the animals. SIM will enable the social entrepreneur to achieve the desired purposeful impact by modelling their social innovation, matching the available resources, capabilities, considering the impacts and explaining them easily to solve a social problem that benefits all in society.

This paper argues that real value for society from innovation must be viewed from both ends of the lens, that is value that is created, but also value that is destroyed in the process of creative destruction. Rather than ignoring the destruction of value, SIM model enables the social entrepreneur to critically consider both sides of the coin. For society rather than the vested interests of a few orchard owners to enjoy the fruits from the seed of innovation and the value that is created and captured, it is imperative to re-evaluate the appropriation of value across the orchard gardens. What is understood by innovations value creation has been challenged in this paper with a new

definition : The process of improvement whereby perceived overall net benefits of enhanced economic, environmental and social well being, (The Triple Bottom Line (Elkington, 1997) of people, planet and profit) is captured and shared as equitably as possible amongst all those in society who may lay a claim to a stake.

Business Model Canvas (BMC) has been a widely adopted innovation modelling tool across all types of organizations including social enterprise. There has been little empirical evidence to demonstrate suitability for organizations with a DNA of social enterprise. Available literature is sceptical of the application of BMC and variants to an organization other than those firms maximizing profit as their objective. SIM therefore offers the practitioner a significantly improved model to guide the process of social innovation for those firms seeking to create value other than purely profit. In constructing a new framework underpinned by purposeful impact and guided by the "Invisible heart," SIM has four essential pillars. The firm and consumers do not assume a dominant position in the SIM model, rather society and innovation are equally and mutually supported by strong foundations of an organization and its execution strategy. Each pillar is mutually interrelated at the centre of the heart. A kaleidoscope of interactions are at play in order to germinate the seed of innovation into seedlings, slowly maturing into a fruit bearing orchard that is eventually ripe for picking by all in society to enjoy the succulent juices of new value creation in all colours, shapes and sizes.

It is value creation of innovation, captured by merchant traders and assumed by Adam Smith which would be distributed for the benefit of all in society, that this paper argues underpins the abstraction of the, "Invisible hand." Central to this paper's argument and the accompanying "Social Innovation mosaic," (Appendix 1.) is for society to truly capture and share in the benefits of innovation equitably and as fairly as possible, it is the morals of the "Invisible heart," that guides. Moving beyond the lens of value creation being exclusively a monetary construct of profit, only then can society reap the rewards of innovation. The "Invisible hand," only grabs in an unscrupulous handshake, as much as one's self interest can fit in the size of the palm.

For social enterprise to have any chance of sitting proudly beside profit maximizing firms, clearly articulating a new theoretical framework that does not simply borrow and reframe their form and function is essential. The narrative of innovation as purely a monetary abstraction driven by profit maximization now no longer holds true. In moving forward if innovation is considered more as a social construct and therefore the impacts are far reaching potentially altering the very fabric of society, all members of society should have a stake in deciding the fate of a future innovation. In accepting such a pretext then logically all innovation should be considered social innovation and all firms adhering to such ideals be social enterprises.

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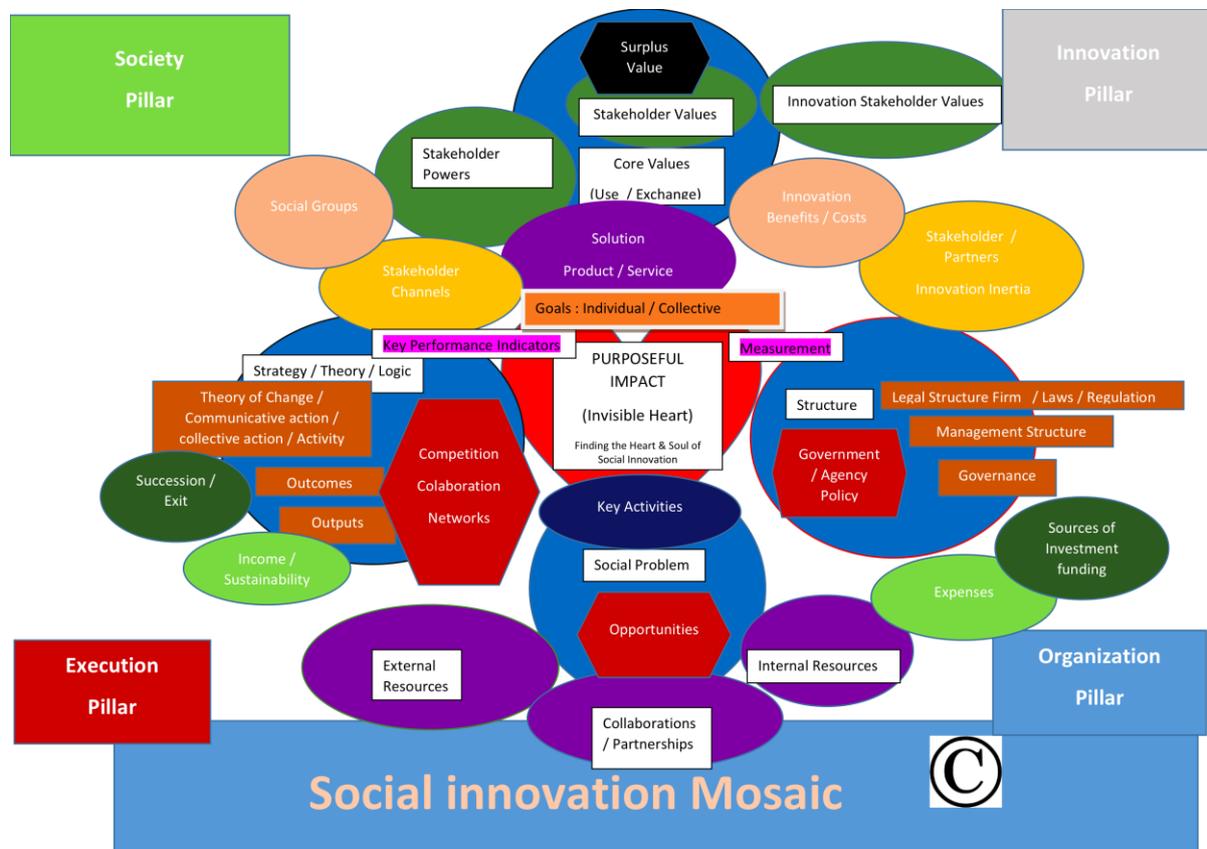
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# **Faith-based Social Entrepreneurship: Towards an Integrative Framework**

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## **ABSTRACT**

The study of social entrepreneurship increasingly takes into consideration the multi-faceted context that generates and shapes it. Inspired and guided by the specific context of religion, faith-based organisations throughout history have been at the forefront of non-profit activities to address social challenges. This paper is motivated by the empirical observation that the activities and practices of faith-based organisations are changing in response to the contemporary context of social and environmental problems. It interrogates the prevailing discourse in the field in order to contribute toward an understanding of the complex phenomenon of faith-based social entrepreneurship. Identifying two distinct standpoints - “marketplace mission” and “integral mission” - the paper moves toward a conceptual framework that positions these two aspects with respect to social entrepreneurship. Faith-based social entrepreneurship is argued to be a synthesis that combines elements of commercial entrepreneurship, social action, and religious mission.

## **KEYWORDS**

faith-based social entrepreneurship, marketplace mission, integral mission, social action, social enterprise, social entrepreneurship, values-based social entrepreneurship

## **Introduction**

Faith-based organisations have traditionally played an important role in civil society efforts to address social and environmental problems. Solving these problems has for a major part of the last century been the responsibility of the modern welfare state, but neoliberal ideologies and successive economic crises are placing more responsibility for this on individuals and third sector institutions. Not-for-profit organisations of all kinds, including faith-based organisations, are turning to social entrepreneurship as a way to develop and implement innovative and sustainable solutions to social problems (Defourny 2001; de Bruin, Shaw, & Chalmers, 2014).

In the last three decades or so, much has been written about social entrepreneurship and the promise it holds (Leadbeater 1997; Borzaga & Defourny, 2001; Alvord, Brown, & Letts, 2004; Yunus & Weber, 2007). However, the field remains in a “pre-paradigmatic stage” (Nicholls 2010). This is especially true with regard to the study of faith-based organisations (FBOs), and how their activities can contribute to our understanding of social entrepreneurship. We seek to address this gap in the understanding of faith-based social entrepreneurship (FBSE) by proposing an integrative conceptual framework.

Explanatory models are important to developing social entrepreneurship theory and practice (Lehner & Kansikas, 2013). This is demonstrated by the significant efforts of researchers in the field (e.g., Dees 1998a; Mort, Weerawardena, & Carnegie, 2003; Weerawardena & Mort, 2006; Zahra, Gedajlovic, Neubaum, & Shulman, 2009). Our framework represents an important preliminary step toward understanding how the context of religious faith influences social entrepreneurship.

After first setting definitional parameters, this paper moves on to an examination of the historical role FBOs have played in social change and the solution of social problems. It then turns to the role of context in influencing the expression of FBSE, the first of which is the institutional setting of a spiritual or religious tradition. Two other contexts that have shaped FBOs in the 20th century are shown to be modernisation theory and changes in the dominant economic paradigm. The literature related to the theory and practice of FBSE is then reviewed, drawing upon three strands representing the “blended value propositions” (Emerson 2003) of social entrepreneurship, integral mission, and marketplace mission. The paper concludes with a proposed integrative framework for FBSE and an examination of opportunities for application and further research.

## Definitions

All social entrepreneurship could be considered value-driven in that ideological themes of justice and altruism are among its foundational values (Spear 2010). Spiritual and religious values are a subset of these moral and ethical values, and need to be explicitly identified in any examination of FBSE. For the purposes of illustrating the proposed conceptual framework, we have limited our examination to the traditions and activities of the Christian religion. Consequently, we use the term “faith” to describe the specific expression of Christianity; however, when we use the term “religion” or “religious” we refer to a broad category that includes a wide variety of religious traditions. Expanding the present discussion to include other religions and spiritualities is one of the more interesting possibilities for further research that arises from our proposed framework.

Bielefeld and Cleveland provide a helpful set of metrics to define an organisation as “faith-based” (Bielefeld & Cleveland, 2013, p. 447). They establish three assessment categories: organisational control, expression of religion, and program implementation.

- Organisational control in a faith-based organisation refers to the influence of its religious faith on how the organisation sources and uses financial resources, how power is exercised, and how decisions are made.
- A faith-based organisation expresses its religious heritage through its self-identity, its participants’ religiosity, and in how it defines and measures its outcomes.
- Finally, program implementation in a faith-based organisation demonstrates the influence if its faith tradition on the kinds of services it provides, how that faith tradition is reflected in the manner in which the services are provided, and in staff and client participation in religious activities.

Therefore, when a social enterprise is “based” on the religious faith of its founder(s) and staff, we mean that their belief structure and values play a key and determining role in its conceptualisation, operation, and evaluation. The assertion that the social entrepreneur(s) are believers in or adherents to a religious tradition is in itself not sufficient to call their social enterprise “faith-based.” Following Bielefeld and Cleveland’s metrics above, the social entrepreneurs’ religious beliefs must make a difference in how they describe their motivations and how they make the myriad decisions related to operating the enterprise.

The many and varied definitions of social entrepreneurship in the literature reflect the diversity of its motivations, contexts, and expressions. The following serves as a working definition for this paper:

*Social entrepreneurship is the creation of viable (socio-)economic structures, relations, institutions, organisations and practices that yield and sustain social benefits.* (Fowler 2000, p. 649)

This definition was chosen because it emphasises that social entrepreneurship is a creative process that yields social benefits in a way that is viable and sustainable in both social and economic terms.

It is important to clearly define the term “mission” as used throughout this paper. In the context of organisational development and strategy, a mission statement defines an organisation’s unique, overarching purpose that guides strategy and the behaviour of its members (Ireland & Hirc, 1992, p. 35). Individuals may have an explicit or implicit personal mission that defines their aspirations, commitments, and values, and guides their decisions and actions (Rabow, Wrubel, & Remen, 2009). In the context of religion and spirituality, mission is used with a similar meaning and for a similar purpose: it refers to the practical expression of a belief structure and its values. In the context of the Christian faith, “mission” is used to describe the wide range of objectives determined in response to God’s invitation to be part of God’s transformative purpose in history. Christian missiologists assert that the mission of faithful individuals and groups is founded on and springs from God’s mission (Bosch 2011, pp. 389-390). The Latin term *missio Dei* (the “mission of God”) was coined in the 20th century to refer to God’s purpose to redeem and transform human beings (spiritually, emotionally, and relationally), human systems (religious, social, political, and economic) and the physical world created by God (Myers 1999, loc. 3897).

## **Faith-based Organisations and Social Welfare**

Communities of faith were among the principle incubators and propagators of social welfare and social change leading up to the 20th century in both Europe (Hien 2014) and the United States (Cnaan 1999). Acknowledging that those motivated by religious faith have also been a source of violence, oppression, and exclusion, in sharp contrast to and in betrayal of their faith’s stated ideals, there are, however, numerous positive examples of the contribution of faith-based organisations (FBOs) to the solution of social problems. These include the anti-slavery movements of the 19th centuries in Europe and the United States (Oshatz 2010), and the Salvation Army (Magnuson 1977). The Young Men’s Christian Association (YMCA) and the Young Women’s Christian Association (YWCA) were initially established to provide shelter and support for urban factory workers in the mid-1880s (Miller 2003, p. 48). Indeed, up until the end of the 19<sup>th</sup> century FBOs provided most of the social welfare services in the United States, either by themselves or through partnerships with secular groups (Bielefeld & Cleveland, 2013, p. 444). The Christian “social gospel movement” of the late 19th and early 20th centuries led by Walter Rauschenbusch (Rauschenbusch 1918) made

significant contributions to social change in the US (Douglass 1926; Douglass & de Brunner, 1935; Hopkins 1940; Degler 1959). Major social innovations that were pioneered by individuals of strong religious faith in the 20th century include the credit union, developed through the efforts of Catholic layman Alphonse Desjardins in Canada, and the giant Spanish federation of worker cooperatives Mondragon, founded in 1956 by graduates of a technical college led by Catholic priest Father Jose Maria Arizmendiarieta (Spear 2010).

In Europe and North America, FBOs have been increasingly active in social welfare and the provision of social services since the 1960s. The Roman Catholic charity Caritas is not only the largest private employer in Germany, but the country's largest provider of public welfare services (Hien 2014, p. 2). While not of the same magnitude, Hien notes a similar situation in Austria and Italy. In Australia, the Uniting Church's UnitingCare Network is one of the largest social welfare organisations in Australia (*Uniting Care Network* 2016). In the United States, with its long history of faith-based welfare provision, the three largest charities in 2015 (United Way, Salvation Army, and Feeding America) were all founded as FBOs (*Forbes 50 Largest U.S. Charities* 2015).

Government initiatives to include FBOs in state-sponsored public welfare services in the last several decades have served to make their role in addressing social problems even more prominent. The Charitable Choice provision in the Personal Responsibility and Work Opportunity Reconciliation Act (known as "welfare reform") signed by US President Clinton in August of 1996, highlighted the importance of religious institutions in the country's social welfare system (Bartkowski & Regis, 2003), and this has provoked a re-evaluation of their role in providing social services (e.g. Chaves & Tsitsos, 2001; Green & Sherman, 2002; Graddy & Ke, 2006). In the UK, New Labour governments during the period 1997-2010 promoted a "Third Way," encouraging a rethinking of the relationship between the state and civil society, including FBOs. The Coalition Government that followed launched the Big Society, further reducing the role of government in the provision of public welfare services and shifting responsibility to local communities, non-profit organisations in general, and FBOs in particular (Lambie-Mumford & Jarvis, 2012).

FBOs are increasingly re-evaluating their role in addressing social and environmental problems in light of cutbacks in state welfare services and prolonged financial crises. It appears that these changes are returning them to the function they exercised in contributing to social welfare and change up to the end of the 19th century, but now with a much more entrepreneurial emphasis given the new context of the 21st century.

## **Contextual Embeddedness of Faith Based Social Entrepreneurship**

Changes in the role faith-based organisations (FBOs) play in addressing social, economic, environmental, and spiritual problems did not take place in a vacuum, but are embedded in a complex, multi-faceted context. This context has generated and shaped, and in turn was shaped by, their activities and innovations. As our understanding of social entrepreneurship has become increasingly multi-dimensional, the study of context in its form and influence has become progressively more important. Researchers have highlighted in recent years the role of context in entrepreneurship in general (Welter 2011) and social entrepreneurship in particular (de Bruin & Lewis, 2015).

History, gender, social structures and institutions (e.g. religion, culture, relational networks, law, and leadership structures), socio-political movements, the dominant economic paradigm, the condition of the economy, and physical location provide a "context lens" (Welter 2011, p. 167) that brings into

focus factors that both facilitate and inhibit entrepreneurial activity. When applied to social entrepreneurship, “an understanding of the role of context is not only integral to coming to grips with the processes of social entrepreneurship and innovation, but is also vital to conducting ‘research close to where things happen’” (de Bruin & Lewis, 2015, p. 2). We highlight here three specific contexts that influence the social welfare activities of FBOs: institutional embeddedness, socio-political movements, and economic paradigms and conditions.

An important context “lens” with which to view the activity of FBOs in social welfare and change is that of institutional theory. Spear (2010) uses three features of religious institutions to examine value-based social entrepreneurship: institutions and high trust religious networks, ideology and religious leadership discourse, and local religious leaders. He finds that membership in a religious group provides a relational and structural context for the norms and expectations that create trust and build social capital. Exchanges of social capital within the institutional framework of the group provide the foundation upon which the economic activity of value-driven social entrepreneurship is based. This unique institutional context favours FBOs who seek to address social problems in a sustainable way using the tools of social entrepreneurship.

Socio-political movements also provide an important context “lens” through which to view the value-based social entrepreneurship enacted by FBOs. Hein (2014) links the development of modernisation theory and the growth of the welfare state in the early 20th century to a decline in public welfare services offered by religious institutions in Europe and North America. Sociologists at the time posited that industrialisation and modernisation would inevitably lead to secularism, and declining membership would in turn lead to a withdrawal of FBOs from involvement in providing social welfare. Faced with the inability of religious institutions to cope with the demand for services, the state would take over their social welfare role (see Esping-Andersen 1990 for a critical summary). Modern social science research reflects this 20th century view of the role of FBOs in meeting social needs, to the degree that “social scientists of the latter half of the century were for the most part content to ignore religion almost entirely.” (McGrew & Cnaan, 2006, p. 22)

The assumptions and prescriptions of the modernisation framework for providing social welfare services were challenged beginning in the 1990s, prompting a re-evaluation of the importance and role of FBOs (Olasky 1992; Orloff 1993; Skocpol 1992). After studying the resurgence of faith-based social welfare organisations in five European countries (Britain, France, Germany, Sweden, and Turkey), Göçmen concludes that “what we are currently witnessing is a political process that invites faith-based organizations to the public arena as possible solutions to the contemporary problems of societies” (Göçmen 2010, p. 5).

At the same time that modernisation and welfare state theories came to dominate social and political policies in Europe and North America, Keynesian economics came to dominate their economic policies (de Bruin et al., 2014, p. 393). Keynesian thought at the time assigned to the state responsibility for not only for management of economic resources but also for providing social welfare. As civil governments around the world assumed greater responsibility for the solution of social problems and in so doing established the modern welfare state, communities of faith, in counterpoint, came to exercise the much more restricted role of addressing only spiritual needs.

This began to change in the 1970s as successive economic crises and neoliberal political and economic policies led societies to rethink the role of government in providing for public welfare, and this prompted a re-evaluation of the role of enterprising non-profits in solving social problems (Perrini, Vurro, & Costanzo, 2010). Neoliberal policies adopted by industrialised nations starting in

the 1990s have brought about a dismantling of many state welfare services, creating widening disparities in income (de Bruin et al., 2014) and providing the context for FBOs to return to their traditional role (Göçmen 2010). This has prompted Hein to suggest the “reversal thesis” that “while the nationalization of welfare represented the beginning of the modern state, the return of welfare to religious providers can be interpreted as the reversal of this process” (Hien 2014, p. 3).

In conclusion, the contexts of institutional embeddedness, socio-political movements, and prevailing economic paradigms and conditions during the last century have played a significant role in how FBOs develop and engage in innovative programmes to address social problems. FBOs abandoned their traditional social welfare role at the start of the 20th century in the face of modernisation, secularisation, and Keynesian economic theories. These theories have been called into question in the light of socio-political changes and a succession of economic crises since the 1970s, and the contemporary political and economic context is encouraging FBOs to be more entrepreneurial in response. As FBOs respond to this new context in the 21<sup>st</sup> century, they are turning to both the academic and the practice-based literature for understanding and counsel.

### **Faith-Based Social Entrepreneurship: Literature Strands**

Faith-based social entrepreneurship (FBSE) is attracting increasing attention in academia and among FBOs, but to date the available literature is limited. As a result, the current discourse in both the academic and practice-related literature examines individual aspects of the phenomenon rather than the whole. These aspects can be delineated in terms of their dominant “blended value proposition” (Emerson 2003).

Three strands in the literature may be identified. First, social entrepreneurship blends economic and social value creation. A second strand blends social and spiritual/moral value creation, and a third blends spiritual/moral and economic value creation. The second and the third strands require a context for their spiritual/moral value propositions, and this is usually provided by a specific spiritual or religious tradition. In the context of the Christian religion, the strand in the literature that blends social and spiritual/moral value creation is often referred to as “integral mission” or “holistic mission.” The strand that blends spiritual/moral and economic value creation is typically referred to in the academic literature as “religion and entrepreneurship” and in the Christian practice-based literature as “marketplace mission.” We will examine each of these strands in turn in order to understand the complex phenomenon of FBSE.

#### **Strand 1: Social Entrepreneurship**

Social entrepreneurship is still a relatively young field. This is borne out in a recent bibliometric study of the literature (Sassmannshausen & Volkmann, 2013). Investigating both scholarly and general (practitioner-oriented) literature, they found that “ten out of the 20 most cited papers are not published by peer reviewed journals but represent other types of publications, namely books or book chapters in edited volumes. To many researchers, this seems to be uncommon for a mature field.” (2013, p. 22). Nevertheless, they conclude from the evidence that social entrepreneurship is now an established domain of entrepreneurship research, one that from a bibliometric standpoint has reached maturity.

Social entrepreneurship research has shown that social enterprises are organisations that employ entrepreneurial initiative and innovation to accomplish a social purpose, and as such represent a

hybrid that pursues the creation of both social and economic value (Dees & Backman, 1994). Both the academic and practice-based literature agree that one of the key characteristics that distinguishes social enterprises from traditional for-profit and non-profit organisations is the use of multiple “bottom lines” to evaluate impact and success (Kneiding & Tracey, 2009). The financial “bottom line” of economic value creation reflects the goal of self-sustainability with minimal or no dependence on philanthropic donations, while the social “bottom line” reflects the goal of social, cultural and/or environmental improvement (Chell 2007; Chell, Nicolopoulou, & Karataş-Özkan, 2010). There is unanimous agreement that the social mission, however, is “explicit and central” (Dees 1998b, p. 2).

The hybrid nature of aims in social entrepreneurship has been described in terms of a “blended value proposition” (Emerson 2003). We portray this in Figure 1 with social entrepreneurship lying at the intersection of social and economic value creation, as well as exhibiting elements of the profit and social change motivations. The advantage of this conceptualisation is that it clearly shows that the fabric of social entrepreneurial activity is made up of two larger fields: one that is social change driven and seeks to create social value, the other that is profit driven and seeks to create economic value. Additionally in Figure 1, context is shown as all-enveloping to capture the “contextual embeddedness” of entrepreneurial activity (Welter 2011).

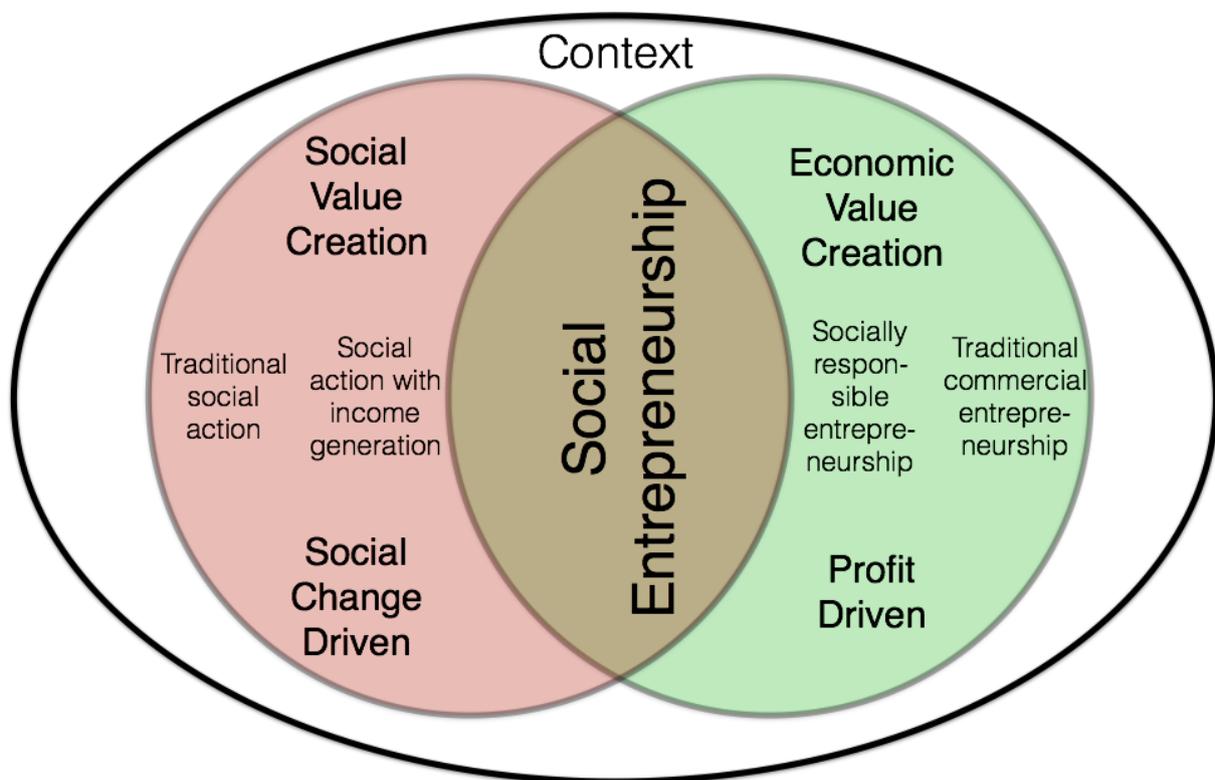


Figure 1: Social Entrepreneurship in Context

There appears to be a gap in the literature, however, regarding the influence of religious faith on social entrepreneurship and its expression by FBOs. Little is available in either the scholarly or practice-based literature. It appears that only one book has been dedicated to the topic of values and social entrepreneurship (see Hockerts, Mair, & Robinson, 2010), with one article in this book specifically addressing the interplay between religion and social entrepreneurship (Spear 2010). The

social entrepreneurial activity of religious congregations has been investigated in a small number of case studies (see Alderson 2011; Werber, Mendel, & Pitkin Derosé, 2014), with both articles concluding that the role FBOs play has not received adequate attention in the academic literature.

The topic of “business as mission” as a specifically Christian form of social entrepreneurship has received more attention, principally in the practice-based literature. This topic will be examined in greater detail below, since it arises not from the literature that deals with social entrepreneurship, but from the strand that has come to be called “marketplace mission.”

## Strand 2: Integral Mission

The second strand in the literature related to FBSE discusses the blending of social value and spiritual/moral value creation. It examines the social implications of a particular spiritual or religious tradition: in other words, the social dimension of its mission. This is one aspect of an area of practical theology known as missiology. When placed in the context of the Christian religion, missiology is the study of God’s mission in the world and the response of God’s people to God’s invitation to participate in it (Bosch 2011, p. 486ff). The terms “integral mission” or “holistic mission” will be explored here to illustrate the blended value proposition of this second strand.

The Christian theological and practice-based literature uses the term “integral mission” or “holistic mission” to describe the blending of social action (which emphasises social change and the creation of social value) with religious mission (which emphasises the fulfilment of missio Dei and the creation of spiritual/moral values). Figure 2 below illustrates the “blended value” proposition of integral mission, and its expressions:

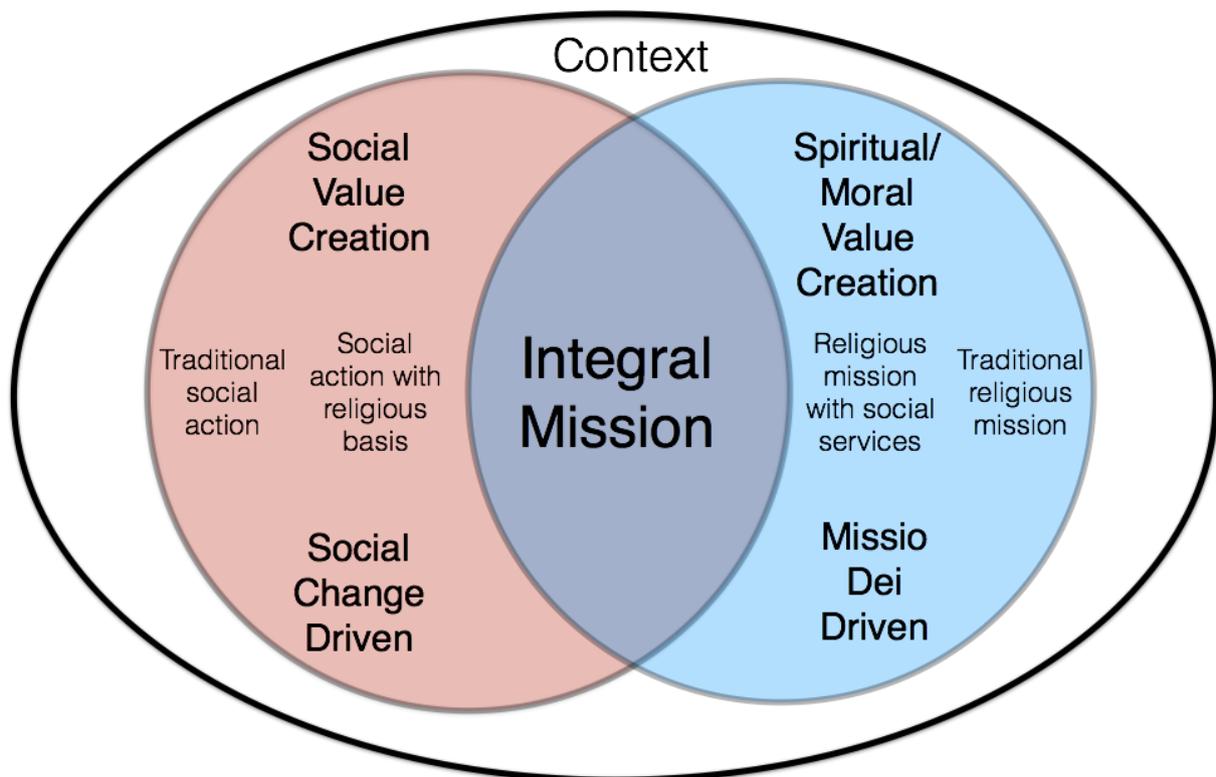


Figure 2: Integral Mission in Context

The study of integral mission faces the same definitional challenge as that of social entrepreneurship. While extensive resources on the subject are available in the academic and popular literature, theologians and practitioners continue to disagree on exactly what is meant by the term. The Micah Network, which describes itself as “a global Christian community of organisations and individuals committed to integral mission,” states in its Declaration on Integral Mission:

Integral mission or holistic transformation is the proclamation and demonstration of the gospel. It is not simply that evangelism and social involvement are to be done alongside each other. Rather, in integral mission our proclamation has social consequences as we call people to love and repentance in all areas of life. And our social involvement has evangelistic consequences as we bear witness to the transforming grace of Jesus Christ. (Micah Network 2001)

Integral mission is a movement that seeks to restore a holistic view of Christian mission and ministry. It was developed through the writing and teaching of Latin American theologians and missiologists Samuel Escobar (Escobar 1997), René Padilla (Padilla 2009), Robinson Cavalcanti (Cavalcanti 2003), and Orlando Costas (Costas 1982). They are credited with coining the term *misión integral* (in Spanish) in the 1970s to describe an approach to mission that is holistic, transformational, and biblically based. It emphasises that the good news of Jesus and the Kingdom of God must be declared in both word and deed (Micah Network 2001). The integral mission movement seeks to provide an integrative solution to social problems, incorporating the context of faith into change efforts to improve the spiritual, social, economic, and environmental systems of a given community.

While the literature on integral mission is well developed from the perspectives of both theology and practice, it rarely mentions the integration of commercial entrepreneurship as part of integral (or holistic) mission. One expression of integral mission in the practice-based literature is what has come to be called “transformational development” (Myers 1999). Although they note the importance of economic transformation and market-oriented approaches for FBOs practicing integral mission, authors principally cite faith-based projects in microenterprise development (see Mugabi-Mugambwa 2003). When social entrepreneurship per se is mentioned, it is typically a passing reference to Yunus’ advocacy of “social business” (see Myers 1999, loc. 1368 referring to Yunus & Weber, 2007). When they are concerned with economic theory, theologians are almost universally critical, citing the abuses of unrestrained capitalism and globalisation and calling for reforms that would represent the goals of justice and inclusion embodied in *missio Dei*. This distancing of integral mission from the kind of engagement with the marketplace represented by social entrepreneurship reflects a gap that currently impedes the use of social entrepreneurship strategies by Christian FBOs to address social problems.

### **Strand 3: Marketplace Mission**

Turning to the third and last strand in the literature related to FBSE, we focus on the blending of spiritual/moral and economic value creation. In the academic literature, this is related to the study of religion and entrepreneurship. To examine the practice-based literature, we must first specify a particular spiritual or religious context. In the context of Christian faith and practice, this strand has been called “marketplace mission.” Though they share a common focus, there has been little if any dialogue between the academic study of religion and entrepreneurship and the practice-based literature on marketplace mission.

The influence of religious faith on entrepreneurial activity has been a subject of extensive research in the academic literature. Research demonstrates that religion is an explanatory variable for entrepreneurship (De Noble, Galbraith, Singh, & Stiles, 2007; Dana 2009; Balog, Baker, & Walker, 2014; Dodd & Gotsis, 2007) and that it affects business ethics and practices (Longenecker, McKinney, & Moore, 2004; Werner 2008; Emami & Nazari, 2012). These relationships are evident not only in adherents to the Christian religion, but to other religions, for example Islam (Gümüşay 2014; Papageorgiou 2012; Pistrui & Fahed-Sreih, 2010). Religious faith is therefore one aspect of context that is “important for understanding when, how, and why entrepreneurship happens and who becomes involved” (Welter 2011, pp. 165, 172).

“Marketplace mission” as described in the practice-based literature is a Christian movement that seeks to establish a common ground between the domains of the marketplace and the church (Johnson 2009, loc. 957). Sometimes called “faith at work,” it is a relatively new phenomenon that seeks to integrate religious faith and livelihood, coming to prominence only since the 1980’s. It draws inspiration from a wider movement to integrate spirituality and the workplace that uses such titles as “workplace spirituality” or “spirituality in the workplace” (Miller & Ewest, 2013).

“Marketplace” as used in this literature refers to the broad arena of commercial activity that includes all aspects of trade and livelihood: business, government/politics, and education (Johnson 2009, loc. 919). “Mission” is used to describe the human response to God’s holistic mission in the world (missio Dei). Dissatisfied with the traditional sacred vs. secular hierarchies of vocation, its proponents advocate the integration of faith and work in the daily lives of lay believers. Nash and McClelland’s research was one of the first to document what was termed “the Sunday-Monday gap” (Nash & McLennan, 2001), and since then the number of resources available has grown considerably, both in print and through websites dedicated to the topic. Figure 3 below illustrates the “blended value” proposition of marketplace mission and its expressions:

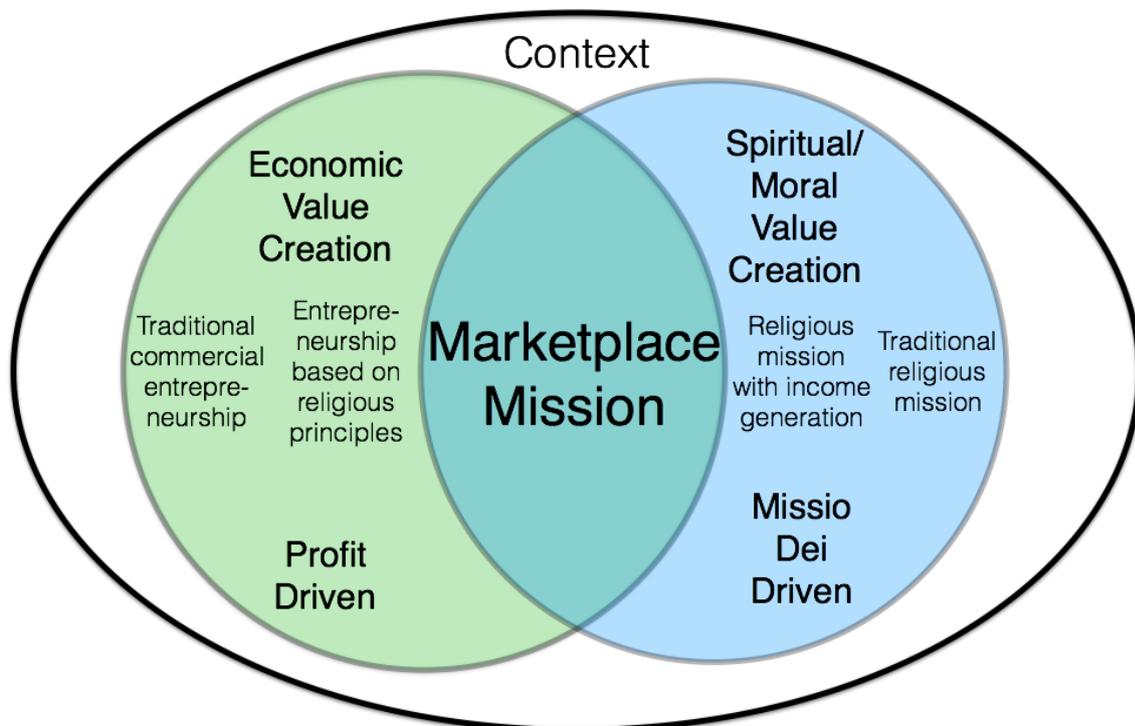


Figure 3: Marketplace Mission in Context

The “marketplace mission” movement has developed three broad emphases: mission to the marketplace, mission within the marketplace, and mission through the marketplace (Johnson 2009, loc. 1220). Mission to the marketplace focuses on outreach ministries to those in business or the workplace conducted by Christians outside that particular marketplace. Mission within the marketplace describes the same ministries, but conducted by Christians who are insiders and participants in the target marketplace. These first two emphases tend to engage in ministries of evangelism and discipleship focused on meeting the spiritual and emotional needs of individuals, rather than responding to needs and problems in the wider society.

The third emphasis of the marketplace mission movement is of most interest to us, as it is the only one that includes addressing social problems among its priorities. Mission through the marketplace describes ministries that use the resources and tools of the marketplace to accomplish missional objectives. Its practitioners typically take a holistic view of ministry and work toward the transformation of all spheres of human life (spiritual, personal, societal, and environmental).

Those involved in marketplace mission have developed in practice four distinct expressions: “tentmaking,” marketplace ministries, enterprise development, and “business as mission.” Their similarities and differences are illustrated in the following table based on one developed by Steven Rundle of Biola University, a leading researcher in the field:

**Table 1: Characteristics of Marketplace Mission Expressions**

	<b>Vocation</b>	<b>Focus; Location</b>	<b>Context</b>
Tentmaking	Any professional skill	Job taking; any level	Cross-cultural; global
Marketplace Ministries	Business specific	Job making; primarily CEO’s and execs	Monocultural; local
Enterprise Development	Business specific	Micro job making; primarily unemployed people	Cross-cultural; global
Business as Mission	Business specific	Job making; almost exclusively CEOs and owners	Cross-cultural; global

(Johnson 2009, loc. 1628) based on (Johnson & Rundle, 2006)

As we noted in our discussion of the literature on social entrepreneurship, this fourth expression of marketplace mission is the one most relevant to the present study of FBSE: what has come to be called “business as mission” (Befus 2001; Business As Mission: Lausanne Occasional Paper No. 59 2005; Ewert 2006; Johnson & Rundle, 2006; Johnson 2009; Rundle & Steffen, 2011). Emphasising that its practitioners are motivated by an inclusive definition of Christian mission, the movement is sometimes referred to as “missional entrepreneurship” (Russell 2010). Various names have been coined to describe enterprises inspired by the movement: Great Commission Companies, Businesses For Transformation (B4T), Kingdom Businesses, and Freedom Businesses. As Rundle noted in Table 1 above, business as mission is a Christian mission strategy used primarily by expatriate cross-cultural missionaries who work among least evangelised people groups in less-developed economies.

Rundle and Steffen, using the term Great Commission Company, describe the business as mission enterprise as:

a socially responsible, income producing business managed by kingdom professionals and created for the specific purpose of glorifying God and promoting growth and multiplication of local churches in the least evangelized and least-developed parts of the world. (Rundle & Steffen, 2011, p. 41)

In summary, there are a number of common threads running through all these definitions of business as mission. First, it has a “triple bottom line” of economic self-sustainability, social transformation, and fidelity to *missio Dei*. Second, it came into being as a mission strategy to evangelise people groups in economically underdeveloped countries that have populations with few or no Christians. Finally, its practitioners have been until now predominantly expatriate cross-cultural missionaries or expatriate Christian business people serving as lay missionaries.

As noted above, business as mission is the only form of marketplace mission that seeks to address social problems through trading activity. Given this, it is curious that up to now there has been very little dialog between the literature on social entrepreneurship and that on business as mission. One notable exception is found in Mark Russell’s book entitled *The Missional Entrepreneur*, in which he highlights the aim of social entrepreneurship in solving social problems and concludes, “moving forward, business as mission practitioners who are uniquely focused on social problems would be wise to acquaint themselves with the ongoing discussions of the broader social entrepreneurship community” (Russell 2010, loc. 2026).

Several gaps exist in the scholarly and practice-based literature on the blending of commercial entrepreneurship and religious mission. First, there is little or no dialog between these two types of literature on the subject, to the detriment of both. Second, both areas typically lack the emphasis on social value creation found in social entrepreneurship, and are therefore limited in their impact on social problems. A conceptual framework that bridges these gaps will contribute to the theory and practice of social entrepreneurship, and enrich that of marketplace mission as well.

In summary, we have noted gaps in each of the strands in the literature related to FBSE. Academic research on social entrepreneurship rarely considers the influence of religious faith as both an element and a context of social entrepreneurship. Individuals and organisations inspired by the Christian faith find important theological and missiological insights for their social change activities in the theology of integral mission, but typically do not consider the insights and tools of commercial entrepreneurship that would help them develop innovative and sustainable solutions to the social problems they seek to address. When Christian individuals and FBOs turn to the literature on marketplace mission, they find a helpful focus on entrepreneurship but in most cases this is from an individualistic perspective that does not view the FBO as an agent of social change. It is only in the literature on business as mission that FBOs find a holistic blend of value propositions that emphasises social change, religious mission, and commercial entrepreneurship. Unfortunately, business as mission is almost exclusively presented as a strategy for expatriate, cross-cultural missionaries who work among less evangelised people groups in underdeveloped economies. These gaps affect the ability of FBOs to address social problems in their local communities by leaving them without an integrative model of FBSE.

## An Integrative Conceptual Framework for Faith-based Social Entrepreneurship

FBOs are increasingly important providers of social welfare and change in the contemporary context of social and environmental problems. They are faced with rapidly changing social, economic, and political environments, and as a result are becoming more strategic in their social and religious ministries. The pressure to be both effective and financially sustainable is causing many to look to social entrepreneurship as a promising model to help them design their programmes. Unfortunately, they are hampered by the lack of a conceptual framework that integrates social entrepreneurship with their religious mission.

### A Conceptual Framework of Faith-Based Social Entrepreneurship

FBOs that seek to address social problems in the contemporary context are faced with the challenge of developing programmes that satisfy a unique “triple bottom line.” Their initiatives must create social value, they must reflect the FBOs understanding of their religious mission, and they must be economically sustainable. Viewed in the context of the Christian faith as described above, FBSE can be represented by the following conceptual framework:

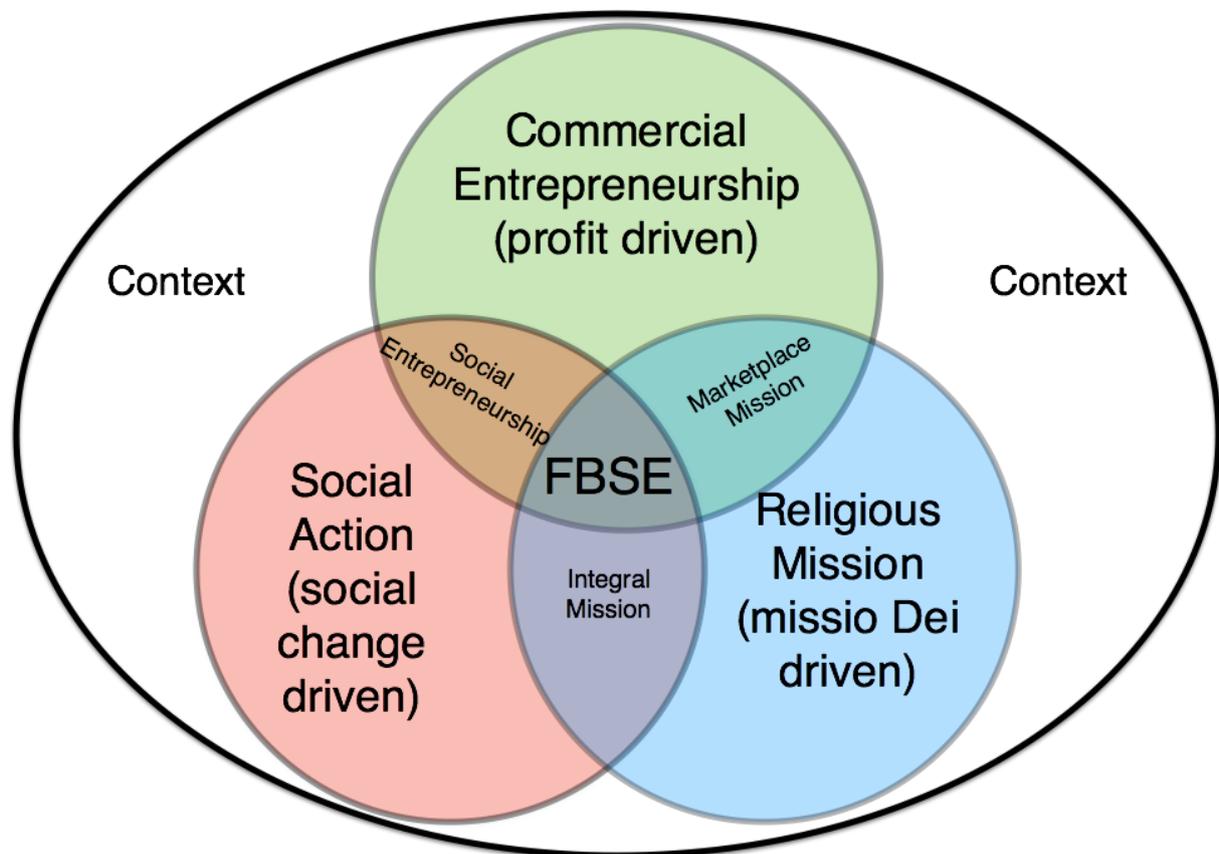


Figure 4: Conceptual Framework of Faith-Based Social Entrepreneurship in a Christian Context

FBSE expressed in a Christian context represents the intersection of profit-driven commercial entrepreneurship, social change driven social action, and a specifically Christian missio Dei-driven religious mission. The framework locates social entrepreneurship at the intersection of commercial entrepreneurship and social action, blending social value creation and economic value creation.

Introducing the element of religious mission introduces a new value proposition: that of spiritual/moral value creation. When the religious mission is the Christian view of *missio Dei*, the framework locates integral mission at the intersection of social action and religious mission, and marketplace mission at the intersection of commercial entrepreneurship and religious mission.

This conceptual framework proposes a view of FBSE that is integrative rather than exclusive. In other words, FBSE in a Christian context is an expression of social entrepreneurship that reflects the religious mission known as *missio Dei*. FBSE is also an expression of integral mission that incorporates economic value creation. Finally, it is an expression of marketplace mission that includes social value creation. Business as mission as a more holistic form of marketplace mission is therefore understood to be an expression of FBSE, one that in its current manifestation is used as part of a cross-cultural mission strategy.

## **Concluding Comments**

FBSE is a complex phenomenon that integrates commercial entrepreneurship, social action, and religious mission. In so doing, it creates economic value, social value, and spiritual/moral value. The context in which FBSE is located influences how it is expressed, and is defined by history, social structures and institutions (e.g. religion, culture, relational networks, law, and leadership structures), socio-political movements, the dominant economic paradigm, the condition of the economy, and physical location. In particular, the context of religion determines and defines the third element of FBSE, that of religious mission. The distinctive nature of FBSE is that by adding the element of religious mission it creates two other standpoints in relationship to social entrepreneurship: “integral mission” (blending social and spiritual/moral value creation) and “marketplace mission” (blending economic value and spiritual/moral value creation).

Our conceptual framework explains FBSE in a way that can be useful in the development of theory and in practice. It fills a gap in the literature on social entrepreneurship in that it explains the influence of religious mission and its value proposition on social entrepreneurial activity. It also locates social entrepreneurship in a framework that can be easily understood and used by FBOs in their efforts to address social problems. Both contributions are especially important in light of contemporary socio-political and economic changes that are prompting FBOs to play a greater role in providing social services in a more entrepreneurial way.

While our framework was presented in the context of the Christian religion, it may be applicable to a wider range of other spiritual/moral traditions. We suggest that the value of our proposed conceptual framework is that it can be generalised to apply to any religious tradition. We presented it using the context of the Christian religion, and for this reason we identified the religious mission element as the Christian understanding of *missio Dei*. If we instead located the framework in the religious context of, for example, Islam, it might then generate important insights regarding FBSE in a Muslim context. In this case, the blended value proposition of social entrepreneurship would remain the same, but the names given to the other two blended value elements would be different. Muslim missiology would determine the definition and expression of spiritual/moral value creation in this religious system, and therefore influence the terms used to describe Muslim “integral mission” and Muslim “marketplace mission.”

FBSE in an Islamic context is an area of growing academic and practical interest (see Salarzahi, Armesh, & Nikbin, 2010; Sarif, Sarwar, & Ismail, 2013; Idris & Hijrah Hati, 2013). Scholars note that the trend to adopt neoliberal economic and social policies in Islamic countries is prompting a re-

evaluation of the theories behind the modern welfare state and a re-affirmation of the role Muslim FBOs play in providing social services (for example Rudnyckj 2009; Sakai 2012; Turner 2008). The phenomenon of entrepreneurship in the context of Islam and its religious mission (in our terminology, Islamic “marketplace mission”) is also a topic of growing interest (see Pistrui & Fahed-Sreih, 2010; Gümüşay 2014; Essers & Benschop, 2009). In regard to Islamic social action, a recent study examined the impact neoliberal thought has had on how Islamic faith-based development organisations address social problems in Cairo (highlighting, in our terminology, Islamic “integral mission”) (Atia 2012). Integrating all these elements, social entrepreneurship in the context of Islamic societies (i.e. Muslim FBSE) is an expanding field of academic study (for example Adamu, Kedah, & Osman-Gani, 2011; Hati 2015). The applicability of our conceptual framework for FBSE to Islamic FBSE and in other faith contexts other than Christianity could be a fruitful avenue for future research.

When generalised, the particular spiritual/moral context in which social entrepreneurship is enacted determines the practical application of that tradition’s belief structure (its mission) and therefore the expression of FBSE. This expands the framework’s application in a way that helps us understand value-based social entrepreneurship in general. In so doing, it empowers FBOs to play a more active and effective role in developing innovative solutions to contemporary social and environmental problems.

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## Collaboration

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### Skatboarding, Collaboration, and Social Entrepreneurship

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**Short Paper**

The purpose of this exploratory paper is to introduce key ideas being used to frame an empirical research project exploring skateboarding social entrepreneurs. The project will involve interviewing skateboarding social entrepreneurs to find out why this community is particularly effective at mobilizing young people around social concerns. The present short paper uses skateboarding as the platform from which to reflect on social entrepreneurship theory in relation to collaboration, specifically a community of practice. In making our argument we draw on our own experiences setting up a skateboarding venture (OnBoard Skate Inc.) and research on skateboarding. Whilst drawing on our experiences in setting up a skateboarding venture, these experiences are not the focus of this paper.

Skateboarders have been extremely active in the field of social innovation and have instigated a wide variety of global initiatives using skateboarding. In addition skateboarding has some unique features which make it an interesting vehicle for social innovation – not least being its attractiveness to young people. Examples of Social Innovation are set out below in Table 1 below.

**Table 1: Types of Social Entrepreneurship with Examples**

<b>Types of social enterprise</b>	<b>Examples</b>
<b>Environment/Ecology</b>	Greenskate
<b>Developing Economies</b>	Skateistan (Afghanistan, South Africa, Cambodia); EthiopiaSkate; Megabiskate (Addis Abada); Ride It (Detroit); SkatePAL (Palestine); 7Hills (Jordan); Bedouins (Tunisia); All Nations (America) (all deploy skateboarding to build social capital and counter deep-rooted issues with alcohol, drug abuse, unemployment, violence, gender prejudices and access to education)
<b>Girl's empowerment</b>	Skate like a girl
<b>Children differently abled/Health</b>	A-skate; Grind for Life
<b>Youth centred</b>	XtraVert; Adrenaline Alley
<b>City rejuvenation</b>	Burnside Project/Holy Stoked Skatepark
<b>Eco-friendly retail</b>	Bamboo SK8; Recycled fishnet skateboards; Comet skateboards
<b>Animal rights</b>	Hendricks board
<b>Alternative schools and educational options</b>	Malmo Skate School; Positive Totem Skate School - identity, self-image and self-esteem
<b>Homeless/Poverty</b>	Grind out Hunger

Skateboarding effectively involves varied subcultures of individuals who enjoy the challenge of creatively overcoming and circumventing limitations of hard surfaces with skateboards to achieve novel and aesthetically pleasurable outcomes. The act of engaging in activities is in a spirit of playfulness and exploration. The defining characteristic is the process and the manner in which it is done. Skateboarding, like computer hacking, entails some form of excellence, for example exploring the limits of what is possible, thereby doing something exciting and meaningful. Hacking is not illegal, or necessarily illegal, but does happen at boundaries in liminal spaces and places and is edgy. Other characteristics that skateboarding shares with open source learning and hacking is that it involves a community of practice; a group of people that share a practice and engage in activity through their passion for projects. The process of peer production and co-creation involves open learning and sharing of resources. Communication is horizontal rather than vertical and is in some ways a system of organized skepticism.

Research into entrepreneurs has argued that they should be seen as actors in “unscripted temporal performances who continually encounter novelty” (Morris, Kuratko, Schindehutte, & Spivack, 2012, p. 11). This is similar to the play experience (and also characteristic of skateboarding). Learning is of interest to entrepreneurial literature (Cope, 2005) but play is rarely mentioned. Entrepreneurial literature also underlines the importance of dynamic temporalities, and the inter-relatedness of the processes involved. According to Cope, a ‘learning lens’ needs to be applied to entrepreneurship as this is the fundamental process of entrepreneurs which goes through two main stages – learning prior to start-up, and then the learning that occurs during the phases.

Skateboarding has a liminal status as an ‘outlaw activity’, in an uneasy relationship with power and authority. Skateboarding is also a unique learning system which has peer-centred play at its heart and exists in anti-thesis to adult-controlled sport and learning. Regarding the first point,

skateboarding often (but increasingly less so) occupies a liminal space/place in contemporary urban life. Skateboarding is tolerated, but allocated 'outlaw' status; it is often perceived of as dangerous (unsafe) and anti-authoritarian, concomitant with negative discourses around youth (Németh, 2006). Skateboarding as a culture of individuals, celebrates this anti-hegemonic status, and has an uneasy relationship with power. The life of a skateboarder, especially in the most popular form of skating, street skating, involves a constant game of 'cat-and-mouse' with power: engagement and disengagement with organised space and time and its agents (e.g. security staff) as skaters 'eye-up' territory - potential pathways and obstacles- with the intention of interacting with them as the material world literally 'beckons' them, asking to be skated. Street skaters thus exist in the interstices of the city; between the routines of security agents, and using available material resources in ways that they are not designed for. Although often relegated to outsider status, a position most skateboarders already identify with (as outsiders), in another sense there is nothing intrinsically illegitimate about skating at all; as Woolley and Johns (2001) have eloquently put it: "To a skater the city is a playground, and the materials that make up the city – concrete and steel – is the materiality of their play". Put simply, skating is simply playing in the city; it is using a simple technology to interact with the resources that the city has to offer; boundless smooth concrete and steel; pathways and ledges; skaters are simply doing what countless human-beings have done before them - learning through self-initiated play with their peers using materials in their immediate environment.

Skateboarding provides an alternative constructive learning/activity system that works for the people who participate in it. The learning system is rather different from that usually validated in schools. There has been a considerable amount of research attention criticising schools, learning institutions and organised sport for overly structured, competitive and assessment-based learning systems. The argument is well communicated by Sir Ken Robinson (2013) who argues that children's education is primarily an industrial process conducted on them from the waist up, treating them like they are disembodied, which detracts from children's natural propensity to learn through play<sup>1</sup>. A considerable amount of educational research has now accumulated that valorises the spirit of play in creativity and argues that we need to 'unschool' children with systems of learning that are based in their actual experiences (Dewey, 2004) and which affirms their natural creativity rather than 'schools it out of them', which many researchers argue is what happens in current institutional settings (Gray, 2013; Postman & Weingartner, 1969; Rogers, 1969). Similar issues have been identified with organised sport which is also based in industrial models based on capitalism, encouraging similar values of individualism, external motivation, competition and aggression.

Skateboarding, in contrast to adult-controlled activity, is closer to pure play. Play is usually discussed in the literature as a pleasurable activity invoking pro-social sociability (Dickson, 1999). Scholars find play difficult to define because the concept is complex and ambiguous, but play is strongly associated with physical activity, risk-taking, learning, and creativity (Csikszentmihályi, 1975, 1992/2002, 1997), all features of skateboarding. Play and associated risk-taking is related to learning how to manage fear. Skateboarders literally learn how to push themselves into situations where they are off-balance – according to many animal behaviourists play is centred on the experience of feeling off-balance (but not too much).

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<sup>1</sup> A summary of Robinson's argument can be found in his influential RSA Animate lecture "Changing Education Paradigms" at <https://www.youtube.com/watch?v=zDZFcDGpL4U&feature=kp> (viewed 11,754,920 times by 10/06/2014)

So, skateboarding provides a model for a learning system that is under-explored. It incorporates, in the very real sense of the word incorporates (takes in; assimilates into the body), materials through play in a unique social system, creating culture that provides an 'alternative' way of thinking and being in the world. There is a very interesting scholarship on skateboarding emerging which, although nascent, recognises skateboarding's uniqueness as a learning system because of the characteristics introduced above.

## Conclusion

We have used learning and play in skateboarding to illustrate an alternative learning system and to suggest it be used to understand social entrepreneurship amongst disparate but passionate and engaged groups of young people using skateboarding as a vehicle for social good. We suggest that open source learning/hacking and community of practice models might be useful ways to frame our research on skateboarding social entrepreneurs. From our study we hope to develop knowledge to assist social entrepreneurs engage with young people and assist and support them in their social good activities.

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# Collaborating to Perpetuate an Industry: A Social Responsibility

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## Extended Abstract

### Topic

Context matters – it can both facilitate and restrict entrepreneurial activities (Welter, 2011). However, the influences of different contexts on entrepreneurial behaviours are not well understood (Zahra & Wright, 2011). This lack of knowledge is particularly pronounced within the context of the social economy (Barth et al., 2015). This study seeks to address this research gap by exploring the experiences of entrepreneurs in under-studied contexts who strive to create social value. Specifically, we investigate craft entrepreneurs, as they have received scant attention within the entrepreneurship literature, although they have been shown to find creative ways to mobilise resources and discover opportunities (Kuhn & Galloway, 2013). Furthermore, we focus on entrepreneurs located in rural areas, as their geographic isolation facilitates observing social phenomena (Ring et al., 2010). Our research adopts a practice perspective (Terjesen & Elam, 2009), which conceptualises entrepreneurship as a socially embedded process that is characterised by continuous struggles for resources and dominant positions within social fields. Specifically, we employ Bourdieu's (1977) theory of practice and investigate the interplay between different fields, norms (*habitus*) and forms of capital. Our study explores how embeddedness in different contexts affects the practices of entrepreneurs (Jack & Anderson, 2002). Particularly, we seek to advance understanding of the ways in which entrepreneurs react to competing logics of practice, such as social versus economic principles. Furthermore, we examine how and why entrepreneurs adapt their behaviours to fit into different social fields (De Clercq & Voronov, 2009).

### Method

Our study adopts a qualitative lens, which is appropriate when addressing research questions of 'how' and 'why'. Heeding the call for more methodological diversity within entrepreneurship research, we conducted an interpretive phenomenological analysis (Cope, 2011). Phenomenological research generates theory inductively and is grounded in the lived experiences of participants. Set within the context of the UK creative industries, our study investigates 10 craft entrepreneurs located in two rural areas (south-west Scotland and north-east England). Although participants seek to make a living from their crafts, they share similarities with social entrepreneurs, as they use the various forms of capital at their disposal to address social and communal needs. We employed a case study strategy and collected rich empirical evidence through four rounds of semi-structured interviews (resulting in 40 in-depth interviews), participant observations and review of other relevant documents. By collecting data over 18 months, we obtained a longitudinal perspective, which is under-represented within entrepreneurship research. This approach allowed us to gain deep insights into the perspectives of participating entrepreneurs. Our data analysis followed a systematic and idiographic process, conforming to the principles of interpretive phenomenological analysis. This entailed detailed examination of individual cases before comparing accounts of

participants for shared themes in order to develop theoretical proposition from our data. By moving iteratively between existing theory and our data, we achieved a higher level of conceptualisation.

## Results & Implications

Our study reveals that craft entrepreneurs are willing to share their economic, cultural, social and symbolic capital in order to help others and to advance the creative industries as a whole. We find that participants do not adopt these altruistic behaviours to develop their networks or to increase their standing in the community, but rather to perpetuate the craft industries and to sustain a genuine interest in hand-made products. Craft entrepreneurs consider this a social responsibility and a task that is passed from one generation of makers to another. Thus, our findings contrast with dominant entrepreneurial discourse, which depicts entrepreneurs as driven by profit- and competition-oriented motives. Additionally, our results challenge a core assumption of Bourdieu's (1977) theory of practice: that individual behaviour is governed by a desire to gain power and dominant positions over others. We argue that this difference is a consequence of field-specific rules (habitus), which can override conventional market-driven norms. Accordingly, we develop Bourdieu's conceptual framework to account for such collaboration-oriented contexts. Our study also highlights the overlapping nature of different fields, which has been largely overlooked by entrepreneurship research. We discover that this overlapping nature can cause difficulties; by trying to adhere to the rules of one field, entrepreneurs may simultaneously defy those of another. Craft entrepreneurs must therefore weigh the costs and benefits of fitting in and, in some situations, prioritise one field over another. Furthermore, our study shows that entrepreneurs adapt their practices to conform to field-specific norms and calls attention to the time-consuming nature of this habituation process. As such, our findings highlight the value of studying entrepreneurs in their contexts in order to fully understand their behaviours. Additionally, our study demonstrates that the creation of social value is not only a goal of dedicated social entrepreneurship, but also an outcome of the process of perpetuating an industry that benefits society at large.

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# **Understanding the Social Practices of Impact Assessment: Coping with Transdisciplinarity in Cross-Sector Collaboration for Impact**

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## **Extended Abstract**

### **Introduction**

Persistent social problems, such as homelessness, climate change, indigenous disadvantage and poverty, are recognised to be complex, messy, interconnected and requiring multifaceted solutions (Mulgan, 2011). In response to these problems, there has been increasing cross-sector action (involving business, investors, government agencies, NGOs and social enterprises) to uncover and implement novel solutions. This action has been matched by the growing prioritisation and sophistication of measures, assessments and reporting of the impact these activities, organisations and collaborations are seeking. Social impact investment is proposed as an interesting context to explore the intersection of these collaborations and impact assessment, given its focus on realising measurable social impact along with the presence of cross-sector collaboration.

### **Topic**

Theory has not sufficiently addressed the complex nature of impact assessment nor how it is enacted in everyday organisational activities or across organisational boundaries (Ebrahim & Rangan, 2014; Nicholls, 2009). Additionally, whilst there is a sound understanding of within-sector collaboration, there has been limited theoretical development on cross-sector collaboration (Austin & Seitanidi, 2012; Babiak & Thibault, 2009).

This paper explores the social practices of impact assessment and how those practices shape, and are shaped by, cross-sector collaboration focused on creating social impact. It examines the challenges inherent in assessing impact and the potential and actual tensions posed by these collaborations. Impact assessment is characterised as a social practice enacted across collaborative relationships. Foundations to underpin this research are drawn from Practice Theory (Nicolini, 2012).

### **Method**

The paper adopts the philosophical perspective of the life-world to ensure impact assessment practice can be better understood in cross-sector collaboration. The life-world perspective takes everyday experience as the starting point for theorising (Sandberg & Dall'Alba, 2009). This informs the choice of Heideggerian interpretive phenomenology as the research methodology. Interpretive phenomenology focuses on focus on the meaningful way in which things are experienced and made

sense of in the everyday activities of organisations and individuals (Benner, 1994; Berglund, 2007). A multiple case study design studies the emerging social impact investment ecosystems in Australia and the United Kingdom. Over 90 qualitative interviews with practitioners across the two ecosystems shed light on the evolution of impact assessment practice.

## Results and implications

The paper presents two main findings:

(i) multilingual brokers are the key collaborators in facilitating cross-sector collaboration for impact and the translation of impact assessment practice across organisational boundaries.

(ii) impact assessment can be understood as a transdisciplinary practice emerging and evolving from multiple practice worlds (such as strategy, accounting and organisational learning);

The paper advances understandings of impact assessment and cross-sector collaboration with multiple contributions for practitioners and academia. For practitioners, this research emphasises the multiple potential benefits and applications of impact assessment, and highlights the central role for hybrid social actors in facilitating cross-sector collaboration. For academia, understanding how new practice worlds evolve from established practice offers a more dynamic perspective on practice theory.

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### Impact Measurement and Firm Success in Social Enterprises

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#### Abstract

Social enterprises (SEs) are businesses managed by entrepreneurs who seek to improve society. Blended value accounting (BVA) is a conceptual framework for measuring combined social and financial outcomes in SEs, but there is a lack of empirical study of the use of BVA. The research question in this study was whether the use of BVA methods was correlated with SE success. Surveys were sent to 3,682 SE managers (n = 280). Data were analyzed using multiple regression, with the dependent variable SE success. Findings indicated no statistically significant correlation between the use of BVA method and SE success, although 73% of SE managers were using BVA methods for various reasons. These findings suggest that SE managers should select a BVA method that is inexpensive to implement, aligns with industry standards, and provides them with management information.

**Keywords:** Social enterprise, blended value accounting, entrepreneurial orientation, impact measurement, pro-social orientation, small-and-medium enterprises (SMEs)

#### INTRODUCTION

Social enterprise is transforming the landscape for social change work, but much remains to be done to understand its nature, scale and scope. In particular, it is not clear how to evaluate the social impact of these businesses. A social enterprise (SE), by most definitions, is a for-profit business founded and managed to both generate revenue and improve social and/or environmental conditions. Over the past decade there has been a large increase in both the number of SEs in operation around the world, and in the academic literature analyzing this new form of organization (Wilburn & Wilburn, 2014). Some observers see a particular role for SEs in countries where the government is too ineffective to provide essential services to many communities (Di John, 2010), or in wealthier countries where government budget cuts have left gaps in the provision of key assistance to low-income communities and individuals (Defourny & Nyssens, 2010). All SEs, regardless of the geography or sector in which they operate, are expected (and in some cases required) to measure the social impact they generate.

Impact measurement in SEs, while often discussed in the literature, suffers from a lack of empirical study. A few academic researchers began paying attention to SEs and impact measurement 15-20 years ago, and have been working to define, describe, and document the SE sector since the mid-1990s (Dart, 2004). One of the pioneers in the field, Emerson (2003), created the term blended value to describe the combined financial and social results generated by SEs; a generic name for the methods used to measure blended value is blended value accounting (Nicholls, 2009). The use of the term blended value signals the unusual nature of an SE; one way to describe an SE is that it is a

hybrid or blend of the functional approach of a business engaged in trading with the normative approach of a mission-driven non-profit organization (Dacin, Dacin, & Tracey, 2011).

However, the academic field of study of blended value in SEs in particular, and the field of social enterprise in general, is under-explored from an empirical perspective. There have been few quantitative studies that have addressed key issues in the field of SE; most of the academic work has been qualitative case studies, conceptual or descriptive. Prior to this research, for example, it was not known how many BVA methods are currently in active use by SEs, which methods are used by successful SEs, and whether the use of certain methods is linked to the success of the SE. This lack of knowledge may be hampering the development of social enterprise as a social change phenomenon.

Advocates like the Nobel Prize-winning founder of the Grameen Bank, Mohammed Yunus (2007), see business as inherently more respectful of the poor than nonprofit charity work, and therefore claim both a practical and ethical superiority for what Yunus calls the social business sector. Promoters believe that SEs offer a powerful new way to reduce poverty, save the planet from climate change, improve public health, and otherwise make the world a better place by engaging the large amounts of available private investment capital in the service of positive social change (Bugg-Levine & Goldstein, 2011). This capital may remain uncommitted, however, if a clear and compelling social improvement case cannot be made to investors. SE managers and investors both need a better understanding about the use of blended value accounting.

### **Measuring Impact**

The issues and controversies surrounding the measurement of social impact are a matter of intense discussion in both academic and practitioner circles, with some researchers wondering if the point of measuring impact has more to do with legitimatization rather than evaluating the effects of the organization on society (Luke, Barraket, & Eversole, 2013). Nonprofits are also under pressure to demonstrate their impact (Carnochan, Samples, Myers, & Austin, 2013). In Luke et al.'s view, being seen as measuring impact is really a way of signaling that the organization, whether for-profit or nonprofit, is serious and credible. Since investors in SEs are seeking social returns in addition to financial gain, they have to be led to believe that their investment is making a difference, even if the methods used are ad-hoc and fall far short of academic standards for scientifically demonstrating that a given intervention had the intended result.

The debate about measuring impact is often framed around "metrics," a word used as shorthand for a broad debate over the practice, meaning, goals, and results of investing in various tools for measuring the social change created by businesses. This debate is currently happening largely in the serious business press, with frequent articles in the Harvard Business Review (Ebrahim, 2013) and the Stanford Social Innovation Review (McClellan, Fonzi, Edens, & Lall, 2014). Most discussants, however they may disagree on approaches, are in full agreement that SEs do need to measure their social impact. Advocates believe that effective measurement of impacts will lead to the emergence of a large new capital market for impact investors, defined as private investors equally concerned with improving society and making money from their investments.

For these investors, the key to a successful SE is the generation of blended value, a term theorists use to describe the combined social and financial value achieved by SEs (Emerson, 2003). BVA is a catchall term to describe the various methods of measuring combined financial and nonfinancial performance; it is used by some researchers (Nicholls, 2009), but by no means all of them. Academics use many other terms as well, often with a particular method in mind. These include

social accounting (Gray, 2013), impact measurement (Gibbon & Dey, 2011), performance evaluation (Luke et al., 2013), and impact assessment (Esteves et al., 2012). BVA is much less commonly used, but I have employed the term in this study for two reasons. First, the other terms for measuring nonfinancial performance include common words that are employed to exhaustion in this field. Second, the term blended value clearly signals that the goal is to combine both financial and nonfinancial returns. Regardless of the terminology, the methods for measuring impact are varied, and the relationship between good impact measurement and SE success is currently poorly understood (Cordery & Sinclair, 2013).

Being able to measure social performance is therefore important to SEs not only so that they can demonstrate their impact on society for various stakeholders, but because impact measurement is a key way of attracting investors (Flockhart, 2005). In addition, new statutory forms of SEs called benefit corporations or limited low-level profit corporations (L3Cs) are being developed in countries including the United States; in almost all states, the laws allowing the formation of these companies also require them to report on their social impact (Sabeti, 2011). Other countries have similar rules, with the United Kingdom having the most well-developed and organized SE sector in the world. Impact measurement, therefore, is critical to the future of the social enterprise sector, and deserves greater attention from researchers.

### **Purpose of this Research**

In this study, my purpose was to document and evaluate the use of blended value accounting methods in social enterprises, and analyze using inferential statistics whether the use of BVA can predict the success of SEs. For the rapidly growing group of scholars studying SEs and the many variants, the findings from this research help fill some of the empirical gaps in the current knowledge about this field. While financial accounting has long been standardized, social accounting lacks a standard, universal agreement on the best methodologies and generally accepted best practices.

My larger goal was to help SE managers, impact investors, government administrators, and others develop a better understanding of impact measurement in SEs. There are numerous BVA methods for SE managers, investors, administrators, and philanthropists to choose from. Selecting and using a BVA method is often time consuming and challenging to implement, and it can be costly as well (Esteves, Franks, & Vanclay, 2012). My research findings show that SEs struggle to find the financial and technical resources to implement BVA methods. By demonstrating through the results of this study that no particular BVA method is more predictive of success than any other, and at the same time finding that it is important to use BVA methods for other reasons, I have provided SE managers some guidance in making decisions about whether to use BVA and under what conditions. This may also make it easier for investors to compare opportunities, potentially freeing up more private capital to be used by SEs to solve social problems.

My primary finding was that no BVA method is more predictive of SE success than any other, but that the B-Impact Rating System (or B Impact Assessment) is by far the most widely used method. In addition, SEs that do use BVA methods are more successful than those that do not, indicating that a certain level of organizational development is required before it makes sense, or is possible, to implement BVA methods. My recommendation is that SE managers should choose a BVA method that is appropriate for their current level of development, fits with industry standards, meets the requirements of investors or government regulations, and provides management information for improving performance.

## **Theory and Definition**

I find the current theoretical perspective on social enterprise to be insufficiently precise and too vague for use by social scientists. As Dacin, Dacin, and Matear (2010) noted in a seminal article, there is a lack of agreement on the domain, boundaries, forms, and meanings of social entrepreneurship [and this] results in a field of study characterized by no unified definition, imprecision, and largely idiosyncratic approaches. This current state of conceptual confusion serves as a barrier to cross-disciplinary dialogue and theory-based advances in the field. (p. 38)

Social entrepreneurship is the larger field in which SE is located. From a practical standpoint, if researchers cannot agree on how to define an SE, how can they find a population of SEs to study? For my own attempt to delineate the ways in which a social enterprise differs from any other business, I used the theoretical constructs known by researchers in psychology and entrepreneurship as social orientation and entrepreneurial orientation to help describe the degree to which a business can be seen as truly an SE. Entrepreneurial orientation (EO) was developed in the 1970s by the business theorist Mintzberg (1973), who evaluated the degree to which businesses (especially small businesses) were likely to be entrepreneurial. The construct has turned out to be durable and powerful, with later researchers like Miller and Friesen (1983) creating scales and other measurement tools that allowed them to evaluate the degree to which the leaders of a set of private businesses were entrepreneurial, and later applying these tools to study small and medium enterprises (SMEs) in the international context (Carraher, 2005). The use of the EO scale to measure the degree to which SMEs are entrepreneurial has been repeatedly validated by Carraher (2005), Knight (1997), and others (Zhang, Zhang, Cai, & Li, 2014).

The EO scale can be expanded by adding the dimension of social orientation to indicate the degree to which a given business is more or less focused on positive social change. Prosocial orientation is a well-researched theoretical construct used to explain altruistic behavior under varied conditions. Researchers have used the phenomenon of prosocial behavior to help understand what prompts government employees to help people (Andersen & Kjeldsen, 2013); (Gregg, Grout, Ratcliffe, Smith, & Windmeijer, 2011), the motivations of workers in NPOs who often work harder for less money than their private sector colleagues (Lee & Wilkins, 2011); (Speckbacher, 2013), and the actions of community members in situations where they cannot rely on the government for basic service delivery (Kerr, Vardhan, & Jindal, 2012). Psychology researchers have developed mechanisms to measure the degree to which an individual is prosocial, and also to measure changes in prosocial behavior (Gentile et al., 2009).

## **Prosocial Competencies**

In a recent article, Miller and her collaborators conducted a survey of social entrepreneurs (i.e. people who found or run SEs), along with impact investors; they were able to identify 1,170 possible respondents and achieved a 19.1% response rate, for a total of 223 completed surveys (Miller, Grimes, McMullen, & Vogus, 2012). Their goal was to figure out the core competencies needed for the managers of an SE to be successful. The meaning of success is not defined; this is an important question for my research that I will return to below. Nor do Miller et al. measure whether a particular competency is statistically correlated with success, however defined.

What is relevant for this research is the link between the orientation of managers and SE success. There is quite a lot of research on the success factors for SMEs, both in terms of growth and profitability (Ng & Kee, 2012), and terms of specific goals, such as creating an e-commerce platform or exporting to other countries (Rowarth, Scott, Macdonald, Wilson, & Scrimgeour, 2013). There is also in some research a demonstrated correlation between the entrepreneurial competencies of SME managers and the financial success of the company (Ahmed, 2013). What Miller and colleagues have done that is particularly interesting is combine this business orientation with a prosocial orientation in the same research and link it to the success of the SE. Miller et al. don't refer to entrepreneurial orientation theory in the article, but they are describing many of the same characteristics examined by EO researchers looking for the ways in which a business can improve its chances of success.

### **The Performance Advantage of an Entrepreneurial Orientation**

My goal for this research project was to determine whether there was a predictive relationship between the use of impact measurement (BVA) and the success of SEs. In entrepreneurial orientation research, scientists use the EO scale to measure the degree to which greater entrepreneurial orientation values are associated with SME success (Covin & Miller, 2014). EO researchers use a variety of quantitative tools, and one of the conventions in the field is to define success on the basis of what the firm itself deems to be its accomplishments by collecting data using Likert scales (Zhang et al., 2014). This can change quite dramatically during the lifecycle of the SME. In the start-up phase, for example, finding angel investors to allow the SME to launch might be considered the primary definition of success. At later points, reaching breakeven, achieving a certain percentage of market share, reaching a benchmark for the number of customers, hitting the predicted profit level, and doing a second-round or Series A equity raise might all be places where the SME managers feel that they are (or are not) successful. Survey questions have to be worded carefully, but entrepreneurial orientation researchers have found that defining success in this way allows for a robust exploration of the statistically significant correlation between higher scale values for entrepreneurial orientation categories and SME success (Covin & Miller, 2014).

My contention is that an SE is best understood as a variant of SME. In fact, the biggest impact of SEs might not be the influence these hybrid businesses have on the problems they identify, but instead the stimulus they have on SMEs to orient in a more pro-social direction. SMEs vastly outnumber SEs in number, size, geographic reach, and annual revenues. For example, there are probably no more than four or five thousand self-identified SEs in the United States, but there are approximately 28 million small and medium SMEs (Business Insider, 2013). If a larger proportion of these SMEs begins to pay more attention to the impact (positive and negative) that they have on society, the social change that could result would be profound.

EO researchers typically collect empirical data from a robust population set; while SE research is complicated by a lack of access to appropriate populations to be surveyed, EO researchers generally have an easier time finding a population to survey. A study published in 2013 in *Small Business Economics*, for example, was able to generate a sample of 1,668 SMEs in nine countries, covering thirteen different industries (Kreiser, Marino, Kuratko, & Weaver, 2013). By contrast, a recent survey of SEs in Australia was only able to locate a small number of SEs, and received only 85 completed surveys (Miles, Verreynne, & Luke, 2014). As Miles and her co-authors themselves note, this is too small a sample to allow for confident generalization. EO research findings were summarized in 2009

in a review of 51 peer-reviewed published studies, with the finding that there was a generally consistent positive and statistically significant relationship ( $r = .242$ ) between a higher level of EO and firm performance (Rauch, Wiklund, Lumpkin, & Frese, 2009).

Research based on measuring the factors that contribute to prosocial behavior (and the behaviors themselves) has a long history in psychological research (Penner, Fritzsche, Craiger, & Freifeld, 1995). This has been done successfully even for preschoolers, as Gentile et al. demonstrate (Gentile et al., 2009). The same methods can be used for social entrepreneurs. One way to understand the difference between an SE and an SME is to examine the degree to which the founder or top managers are prosocial. This is what Miller et al. point to in their article, in which they identify characteristics like “empathy or compassion” and “ability to identify social problems,” along with the essential “value social impact more than financial [returns]” as core competencies of social entrepreneurs (Miller et al, 2012).

### **The Performance Advantage of a Prosocial Orientation**

Two interesting studies that look at the relationship between a prosocial orientation and SE success were published in 2013 and 2014 by a group of Australian researchers looking at the relationships between prosocial orientation, EO and SE performance (Miles et al., 2013; 2014). The first study sought to discover whether SEs with what they call a social value orientation (SVO) were more likely to be successful, with success defined along economic and social criteria. An SVO is identical with what I am referring to as a prosocial orientation. Miles et al. (2013) found that SEs with a higher SVO did see a positive impact on social performance, but that there was no correlation between a higher SVO and better economic performance (Miles et al., 2013, p. 100). In addition, a higher EO did not show a positive correlation to enhanced economic performance, contradicting other research that consistently shows a strong positive correlation between higher EO and SME performance. The researchers attribute this to “too much of a good thing,” meaning that in an SE, unlike in an SME, higher EO actually reduces firm performance (Miles et al., 2013, p. 100).

Other studies have found that by disaggregating the components of EO, it is possible to demonstrate that there may be a U-shaped relationship between the three dimensions of EO and firm performance (Kreiser et al., 2013). For example, a certain amount of risk-taking is essential for the success of a private business (or NPO for that matter). But a chief executive who heedlessly takes on too much risk is likely to eventually crash the firm. The Miles et al. (2013) study from Australia may show that there is something different about an SE in the sense that the added dimension of a prosocial orientation actually detracts from the economic performance advantage of a higher EO.

However, the Miles et al. (2013) study is probably too limited due to its small sample size ( $n = 87$ ) to allow for confident generalization. The authors collected a list of SEs primarily through personal networks, since there apparently does not yet exist a directory of SEs in Australia. Although the methodology is well-explained and robust, the results should be viewed as an interesting opportunity for further research, not as evidence conclusively supporting the idea that higher EO in an SE inhibits economic performance.

Interestingly, using the same dataset, Miles et al. (2014) then went on to create a new construct that they call a Vincentian Marketing Orientation (VMO). A VMO is the combination of a prosocial orientation with a marketing orientation, using the definition of marketing as a way of putting the intended beneficiaries first and foremost. A marketing orientation is measured using a Likert-type scale called MARKOR originally developed by Kohli et al. (Kohli, Jaworski, & Kumar, 1993). Looked at

this way, the authors found that a VMO is “strongly and positively correlated with social, economic and environmental performance” (Miles et al., 2014, p. 549). The study employed a set of questions that taken together allowed the authors to construct the dimension of marketing as they define it.

The authors collect survey data where respondents rate themselves across three broad dimensions – their focus on serving the poor and marginalized, the efficiency of their business, and the adoption of a value-driven management ethos. The performance of the SE is likewise measured using survey questions from a Likert-type scale. (A Likert scale measures perception, not objective data.) The second Australian basically finds that the perception on the part of SE managers that their business rates highly on all the dimensions of a successful SE is positively correlated with the perception that the firm is successful.

The two studies mark a big step forward in research on SEs. The first one is the only quantitative study I have been able to find that attempts to link SE success to a prosocial orientation, and the second looks at other critical success factors. Taken together, they contain a wealth of insights into what makes an SE different from an SME, and offer directions and tools for further research. Indeed, there are almost no studies that look at SEs using the techniques of inferential statistics, and the two studies by Miles and co-authors therefore fill important theoretical, empirical and methodological gaps in the literature on SEs. To build on this knowledge, I used their survey instruments in my research.

### **Definition of Social Enterprise**

My definition of an SE is as follows: a social enterprise is a type of SME with both a prosocial orientation and an entrepreneurial orientation. An SME is generally understood to be a private company (not a nonprofit) with fewer than 250 employees and under \$67 million (USD) in annual revenue. SMEs are more or less well defined and frequently surveyed, so many data sets are available to researchers.

In my definition of an SE, one dimension is that the business is proactive in solving both business and social problems; this is a common understanding in the field (Defourny & Nyssens, 2010). However, little work has been done applying the concepts of entrepreneurial orientation specifically to SEs, with some notable recent exception such as the work done in Australia (Miles et al., 2014). Using the Likert-type scales developed by EO scholars, researchers can determine the degree to which any SME is more or less entrepreneurial, which—combined with a prosocial orientation—implies that there may be many more SEs than are currently registered officially as such. My contention is that businesses that are defined as SEs are a subset of the larger category of SMEs, and that the degree to which they are prosocial can be measured in the same way that the degree to which they are entrepreneurial can be measured using the scalar techniques of EO research.

### **METHODOLOGY**

I sent a survey via email invitation to a list of 3,682 SEs collected primarily using Web research. Email addresses were loaded into an online survey platform called SurveyMonkey. Three reminders were sent, one a week for 3 weeks, until the survey was closed. The data collection process took approximately one month. The process of identifying the 3,682 SEs, however, took almost eight months because it involved a tedious process of identifying individual companies, figuring out if they qualified in some way as an SE (mostly through self-identification), finding an email address for a manager, and then testing the emails to see if they were active.

Of the 3,682 surveys sent, a total of 280 were returned completed, or 7.6%. The open rate was 53.4%, meaning that 1,963 SE managers actually opened the email containing the link to the survey. Almost half, 38.9% (1,430 SE managers) never opened the email to read the contents, despite repeated reminders. Bounces totaled 163, and 123 SE managers opted out of receiving the survey. The click-through rate was 12%, or 441. Of those who actually opened the email (n = 1,963 SE managers), 280 (14 %) followed through and completed the survey. Not every survey respondent answered every question, but the partial data was not substantial enough to affect the results.

Inferential statistics were used to answer the research question addressing whether the use of BVA methods predicts the success of the firm, with the dependent variable success defined along a Likert-scale continuum ranging from 1 = not successful to 5 = very successful. Data on the dependent variable were also converted into a dichotomous categorical variable, success/not success, to see if that affected the results. I then used logistic and ordinal regression as another dimension of the multiple regression analysis.

## **BVA Methods**

Emerson (2003) developed a BVA tool called the social return on investment (SROI), which was the first major attempt to quantify social impacts in SEs. The SROI, often criticized for being unwieldy and difficult to use (Arvidson, Lyon, McKay, & Moro, 2013), represents one end of the spectrum of BVA methods, which range from efforts to assign numerical values to social outcomes to other methods that are primarily qualitative and descriptive, such as impact evaluation. Nichols (2009) reviewed the various BVA models along this continuum. In recent years, there has been a concerted effort by practitioners, academics, foundations, and network organizations to coalesce the field around an agreed-on standardized BVA method. This effort has met with limited success; many SEs create their own way of measuring impact, and there are still many other methods in use. For example, the Foundation Center in the United States has compiled an online database of “tools and resources for assessing social impact,” or TRASI (Foundation Center, 2014). TRASI lists 13 specific tools and 16 distinct methods, specifically for SEs and NPOs. This list is not comprehensive, although it probably does contain most of the most commonly used BVA methods. In addition to these standardized BVA methods, there are also ad-hoc forms of BVA, with many investors, companies, and NPOs choosing to develop their own forms of BVA. The biggest step towards standardization has been taken by B-Lab, which offers a certification for an SE that wants to call itself a for-benefit corporation and get a seal of approval from B-Lab, but this certification does not in itself measure impact.

## **Research Question and Results**

The research question I asked was the following: Does the use of blended value analysis (independent variable, measured nominally) predict the success of the firm (dependent variable, measured on an interval scale)? My null hypothesis was that the use of BVA does not predict the success of the firm, meaning that there is no positive statistically significant correlation found between the use of BVA and the social enterprise (SE) managers’ perceptions of the success of the firm. The success of the SEs surveyed for this project (n = 280) was evaluated in two ways: success in reaching financial goals, and success in reaching social goals, following the methodology developed by other SE researchers (Miles et al., 2013).

After collecting the data, I ran a series of parametric tests using multiple and logistic regression. In the multiple regression analysis I did not find a statistically significant correlation between the use of impact measurement and firm success, either economic or social. None of the BVA methods were statistically significant in terms of a positive, directional correlation between the use of the BVA method and firm success. Based on this research, there is no positive statistically significant correlation between the use of impact measurement and firm success.

When I transformed the data into dichotomous values, in an effort to force the dependent variable into one of two categories (successful = 1 or not successful = 0) as perceived by the managers surveyed, I still failed to find a positive correlation between the use of BVA methods and firm success. There was an interesting result in the sense that four of the BVA methods (B Impact Rating Systems, Balanced Scorecard, Social Accounting and Auditing, and Social Impact Tracker) were less likely to be positively but still not statistically significantly correlated with economic success while the other four (Benefit Cost Analysis, PCV Social Impact Analysis, Social Return on Investment, and Triple Bottom Line Scorecard) were more likely to be positively (but also not statistically significantly) correlated with economic success. Interestingly, one logistic regression result was that nonprofits are less likely to report economic success than for-profits, while the reverse is true when it comes to social impact success. In other words, for-profits are less likely to report social success than nonprofits.

In perhaps the most interesting result, I also divided the survey data into two groups: SEs that use BVA methods and those that do not use BVA methods. Using logistic regression, I then looked to see if there was a relationship between SE success and the use of BVA methods in those two groups, and here I found a compelling result. SEs that use BVA methods are significantly more likely to report being successful than those that do not.

The results in Table 1 are based upon a logistic regression where the dependent variable has been converted into a categorical value, Success or Not Success. The result on Measure Social Impact is strongly statistically significant, with a  $p =$  of 0.01 and an odds-ratio of 2.55, indicating that companies that measure social impact are much more likely to report that they are successful.

**Table 1: Logistic Regression on Measuring/Not Measuring Blended Value**

	B	S.E.	Sig.	Exp(B)
B Impact Rating System	.15	.39	.71	1.16
Balanced Scorecard	.31	.74	.68	1.34
Benefit Cost Analysis	.12	.61	.84	.88
PCV Social Impact	.79	1.27	.51	2.22
Social Accounting	1.85	.81	.02	.16
Social Impact Tracker	.27	.69	.69	1.32
Social Return/ Investment	.53	.45	.23	.59
Triple Bottom Line	.14	.47	.77	1.14
Measure Social Impact	.94	.36	.01*	2.55
Self Measurement	.027	.32	.93	.973

\* $p < .05$

It is important to remember that in this regression analysis I sought to find a directional correlation between the independent and dependent variables. In this case, the use of BVA methods was the independent variable, and SE success (as perceived by SE managers, both social and economic) was the dependent variable. From this perspective, an increased use of BVA should result in greater firm success across the population of SEs surveyed, but my findings did not reflect this effect.

This seems to contradict the finding that SEs that use BVA methods are more successful (in the perceptions of their managers) than those that do not, but in fact these are two different questions. An effect that is found in a selected subgroup of a population as compared to a different subgroup or the full population is interesting in its own right, but it does not negate the other finding. For example, a political survey might find that Texans in general are substantially more conservative than Californians, but if you break out only those Texans who are residents of Austin you might find their political views closer to what you would find in California, or indeed in Berkeley, the most liberal city in the state. More research would be needed to figure out why SEs that do not use BVA are less successful than those that do; it could be that there are other factors at play, such as being self-funded instead of funded by impact investors.

Finally, although in my research I did not find a positive directional correlation between the use of BVA and SE success overall, that does not imply that impact measurement is unimportant. There may be reasons for implementing BVA other than the contribution it makes to firm success. Perhaps one way to look at these results is that while the use of BVA is important for SEs, it does not seem to matter which method one uses, so SE managers might as well employ one that is easy and inexpensive, and fits with their existing management systems. It might also be that SEs that do not use BVA methods are the ones facing financial difficulties, forcing the managers to focus their attention on survival instead of on measuring their social impact. One respondent to the survey said this directly.

## **FINDINGS**

**Table 2: Key Findings.**

The SE sector is much more diverse than expected, although most investors focus on a limited number of sectors.

Most SE managers (73%) utilize some form of BVA.

SEs tend to be quite small with respect to staffing and annual revenue.

The use of BVA methods is not correlated with the SE managers' perception of firm success.

This is true for both social and economic performance.

The B-Impact Rating System is the most widely used BVA method.

SEs in which the managers do not employ BVA methods tend to be less successful than those in which the managers do employ BVA methods.

Implementing BVA methods is too expensive and time consuming for the managers of struggling SEs to implement.

SEs should be viewed as a subset of the much larger SME population.

**Table 3: BVA Method Survey Results**

Method	% (n =)
B Impact Rating System	58.8% (100)
Balanced Scorecard	8.2% (14)
Benefit-Cost Analysis	12.9% (22)
PCV Social Impact	3.5% (6)
Social Accounting and Auditing	7.7% (13)
Social Impact Tracker	8.2% (14)
SROI	21.6% (37)
Triple Bottom Line	15.9% (27)
Custom Method	12.5% (35)

**Control Variable Survey Results**

In this research project, there were four control variables, as shown in Table 4. The survey questions also allowed respondents to write in their own answers in some cases.

**Table 4: Control Variables and Rules**

Variable	Measurement Level	Rules
B <sub>1</sub>	Scale	Number of years in since founding, in years
B <sub>2</sub>	Scale	Country of registration
B <sub>3</sub>	Scale	Number of employees
B <sub>4</sub>	Nominal	1 = health 2 = education 3 = WASH 4 = livelihoods 5 = energy 6 = agriculture 7 = other

What is most interesting about the results obtained is that more than half (53.2%) of the respondents did not fall into any one of the six general sectors of work provided in the survey question, as shown in Table 5. The SE sector is far more diverse than expected, reflecting the diversity of the economy in general. Respondent managers work for SEs involved in media, software development, civic engagement, fair trade, tourism, pets, banking, and many other fields.

**Table 5: Control Variables Survey Results**

Question	Result (%)	<i>n</i> =
1. Number of years in business	31.1%	87
10 years or more	68.9%	189
Fewer than 10 years		
3. Number of employees		
250 or more	2.1%	6
Fewer than 250	97.9%	274
4. SE Sector		
Agriculture	9.6%	21
Clean water	2.5%	27
Education	12.5%	7
Energy	7.5%	35
Employment	9.6%	21
Health	5.0%	27
Other	53.2%	149
5. Country of Registration		
Australia	13.0%	21
Canada	18.7%	15
Great Britain	10.4%	27
Hong Kong	2.5%	7
India	15.4%	43
Other	12.7%	22
Singapore	14.0%	20
Unknown	3.9%	11
United States	40.7%	114

One question in the survey asked, “Do you measure your social impact?” The majority replied that they do; 73.2% reported using BVA, while 26.8% said that they did not. Most of the respondents who did use a BVA used one of the methods shown in Table 6, with 35 (12.5%) reporting that they use a method of their own devising. There were important differences between SEs in which the managers use impact measurement tools, and SEs in which the managers do not use BVA methods.

**Table 6: BVA Method Survey Results**

Method	% ( <i>n</i> =)
B Impact Rating System	58.8% (100)
Balanced Scorecard	8.2% (14)
Benefit-Cost Analysis	12.9% (22)
PCV Social Impact	3.5% (6)
Social Accounting and Auditing	7.7% (13)

Social Impact Tracker	8.2% (14)
SROI	21.6% (37)
Triple Bottom Line	15.9% (27)
Custom/other Method	12.5% (35)

## DISCUSSION

The results of the statistical tests conducted for this research, with the parameters set at a 95% confidence level ( $p = .05$ ), indicate that there is no positive directional correlation between the use of BVA and SE success, either social or economic. However, the descriptive statistics do show that the majority of SEs use some form of BVA, and that the most popular method is the B-Impact Rating System. One interesting result that deserves further study is the finding that SEs that use any method of BVA are strongly statistically significantly more likely to be successful than those that do not use any BVA method at all.

The research results make a contribution to the literature on social entrepreneurship. SEs had not been surveyed before about their use of BVA methods, and this is the first quantitative study to examine the link between the use of impact measurement and firm success. The statistical results fill several empirical and quantitative gaps. The summary statistics indicate that over 73% of SEs do use some form of impact measurement, and of those that do, over 58% are now using the B-Impact Rating System, despite this BVA method being the newest of the ones included in this research. However, while there were some interesting nuances in the data, there does not appear to be a statistically significant relationship between the use of BVA methods and SE success, either social or economic, in the perception of the SE manager. One fascinating result that deserves further study is the finding that SEs that do not use BVA methods tend to be less successful than those that do. These results open up many new avenues for research and advice for SE managers.

As a field of study and as a method of social change, social enterprise is in its infancy (Wilburn & Wilburn, 2014). It should come as no surprise, then, that there is a paucity of empirical and quantitative evidence for key assumptions about SEs and their activities. This study was an effort to fill some of these gaps and examine a critical dimension of SEs—the way that they measure their social and economic performance, known as blended value. For practitioners and researchers alike, the measurement of blended value using the tools of BVA is assumed to be one of the critical ways in which an SE distinguishes itself from an SB. However, my research indicates that there is no positive directional correlation between the use of BVA methods and SE success in generating social and economic returns.

The research results show that there is a statistically significant difference between SEs that use BVA methods and those that do not, with respect to the managers' perceptions of the success of the SE in reaching both social and economic goals. The ones that do use BVA are more likely to be successful in the perception of the managers.

The data indicates that there are some major differences between the two groups. Although more work would need to be done to prove this assertion, it appears that SEs that are using BVA methods are different in some ways from those that are not. More research would be needed to uncover exactly what these differences are, but the qualitative results from my survey offer a strong hint: It is

likely that the SEs in the non-BVA group are in more difficult economic circumstances than the SEs in the BVA group. As a result, employing some form of impact measurement is a luxury struggling SEs cannot afford.

If SEs that do not use impact measurement tend to be less successful than those that do, this does not imply that if these SEs began using BVA methods they would then become more successful. The lack of a statistically significant correlation between the use of BVA methods and SE success across the full sample population shows that in general, the use of BVA methods is not linked to SE success. Instead, what is more likely is that the correlation flows the other way. Unsuccessful SE managers simply can not afford to think about impact measurement; it is too resource intensive in both time and money.

Additional research might show that at a certain stage of development, SE managers either decide to develop impact measurement as part of improving overall operations, or are required to do so by their investors or by the statutory requirements of their legal registration. In the early stages, SE managers don't know how to implement BVA methods. As several of the respondents noted, for small SEs figuring out how to select and deploy BVA is difficult because the staff have neither the skills nor the expertise to decide which method to use. As one remarked, "we need guidance!"

As businesses grow and develop, they tend to improve their operations across the board. Enhanced bookkeeping and accounting is often a critical first step, followed perhaps by human resource management, risk mitigation, quality control, better marketing, etc. There are several stages in the life cycle of any SME, not just SEs. The conclusion, which would need to be borne out by further research, is that the use of BVA methods in SEs is another function that is added as the SE becomes more successful and is able to generate and deploy organizational development resources.

Another possible scenario is that SEs that are able to attract investor interest are then required to use BVA methods, or suddenly, with the influx of funds, have the resources to implement impact measurement while at the same time improving other company functions. In the literature on SMEs, small businesses are often defined by what they lack, such as the skills and resources to invest in their own operations (Daou & Karuranga, 2012). One part of a future research agenda on SEs could be to examine when and under what conditions SEs implement impact measurement methods. It may be that this moment marks the dividing line between SEs that are struggling versus those that are finding some success.

Another reason for implementing BVA methods might be the decision to register as an official social business, such as the B-Corporation or L3C designation in the United States. The United Kingdom as well has a special business registration option for SEs. Typically, these regulations require SEs to report on their social impact, which then forces the SEs to implement some form of BVA (Chen & Kelley, 2014). Although one researcher found that many SEs simply ignore this requirement (Poore, 2014), it might well be that deciding to register as a social business is one reason that SEs decide to implement BVA methods. Here too, more research is needed to answer this question.

On the other hand, there are many reasons for using BVA methods that go beyond firm success, so the failure to find a correlation between the use of BVA methods and SE success does not imply that SE managers should not use a method that works for them.

### **Recommendations for Future Research**

1. Analyze the differences between blended organizations, NPOs and SEs.

2. Investigate the differences between SEs that use BVA methods, and those that do not.
3. Map the diversity of the SE population to II interest areas to evaluate the degree of overlap.
4. Investigate why there are so many SEs identified as such in the United Kingdom, but so few in the rest of the world.
5. Undertake a research project to find SEs that may be hidden in the larger population of SMEs by evaluating their S/EO scores.
6. Analyze the costs and benefits of using various BVA methods.
7. Examine when and under what conditions SEs implement BVA methods.

#### **Recommendations for Supporting Agencies**

1. Provide a full list of BVA tools to members and on websites.
2. Offer guidance for managers about the best tools to use for improving management.
3. Offer guidance about which tools are suited for the stage of development of the SE.
4. Undertake an ROI analysis on BVA methods, so that SEs have the information they need to choose the best BVA tool.
5. Create a global registry of SEs.

#### **Recommendations for SE Managers**

1. Implement some form of BVA method at SE inception, or as soon as possible.
2. Select the BVA method best suited to your stage of development, while making sure to adjust the use of BVA tools as your SE grows and changes.
3. Unless required to use another method, pick the BVA method that offers the best information for improving management practices.
4. The most common form of BVA method currently in use is the B-Lab Impact Rating System; you should use this method to align your SE with best practices in the industry if that is a company priority. You may want to use it in combination with a BVA method that provides information for improving management.
5. Unless required by investors, don't invest in the most expensive, time-consuming and complicated BVA methods. The evidence from this research indicates that no method stands above any other method in terms of its impact on your SE's success.

## **CONCLUSION**

According to my research findings, the use of blended value accounting methods is not a critical success factor for social enterprises. The results did not indicate a positive correlation between the use of BVA methods and the success of the SE managers in reaching their financial and social goals. At the same time, given the overall lack of empirical and quantitative work in the academic studies of SEs, there is much that remains to be discovered. The field is young and constantly changing, offering researchers many intriguing avenues for future research. BVA is likely an important element of SE operations, both for meeting the needs of investors and for improving SE operations, particularly in reaching social goals. SE managers want to know when, how and under what conditions they should implement BVA in their companies. Academic researchers have an opportunity to undertake further investigations that can make an important contribution to a rapidly growing arena of social change experimentation.

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# **Integrative Reporting in Collective/Kin-Owned Maori Organizations**

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## **Abstract**

We shall assess collective/kin owned Maori organizations by applying the six capitals of Integrative Reporting. The result of this assessment is to produce a notional and comprehensive value of these entities. This result will inspire intellectual rigour and common sense to test current thinking about financial performance, financial position, financial information and non-financial information of these entities. Internal and external effects will be explored to better align the notions of comprehensive value with the wellbeing of the collective/kin owners and members of this collective in the first instance in both the short term and the long term. The central question driving our research is whether Integrative Reporting enables collective/kin owned Maori organizations to maintain comprehensive value over time. This question will then be applied to answer the question whether or not maintaining comprehensive value over time will bring about meaningful and sustainable long term economic development. We seek to adapt the Environmental, Social, and Governance (ESG) scale in order to fully reflect the six capitals of Integrative Reporting. It will then be viewed through the lens of Tikanga Maori (beliefs and values), to create a measurable, comprehensive scorecard valid and reliable locally to New Zealand but may inform international standards.

## **1. Introduction and Motivation**

In the last twenty years; the Treaty of Waitangi Settlements process has led to significant increases in the level of assets held by collective/kin-owned Māori organisations. For example, in 1987, the Federation of Māori Authorities (FOMA) was established for the purpose of fostering and advancing the economic interests of Māori Authorities. FOMA now represents around 150 members comprising of a variety of Māori entities including iwi(tribe) and hāpu(sub tribe) with interests in the primary sector, property, investment, energy, tourism and other business enterprises with a collective/kin-owned asset base estimated at \$8 billion dollars (Federation of Māori Authorities, 2014). These collective/kin-owned Māori organisations embody some unusual features in comparison with non-Māori organisations. Membership is a right that comes with whakapapa

(genealogy) (Barrett, 2005; Durie, 2005). Added to this dilemma, are the supply side constraints of global warming, biodiversity loss and resource depletion which limit ways in which collective/kin-owned assets/resources can be managed commercially (Ostrom, 2009). The primary objective of our research project is to assess collective/kin-owned Māori organisations on a broad scale, rather than purely on financial profit. We aim to explore features of Integrative Reporting (IR) which have the potential to shift the thinking of collective/kin-owned Māori organisations to better align notions of profit maximisation with the wellbeing of our society and the environment (Barrett & McNicholas, 2004; McNicholas, 2009). The International Integrated Reporting Council (IIRC) (IIRC, 2013a, 2013b) have led the development of a global framework for Integrated Reporting (IR), and are promoting the adoption of Integrated Reporting (IR) by regulatory accounting bodies. The Framework (launched on the 9th December 2013) is a new form of corporate reporting, whilst primarily aimed at providers of capital; the content is of interest to a broad range of stakeholders including collective/kin-owned Māori organisations. Whilst, some think of Integrative Reporting (IR) as simply bringing together financial and sustainability performance information into one report, further perpetuating the myth that a singular, standardized report will somehow satisfy accounting's public interest responsibilities (C. Adams, 2004; Brown & Dillard, 2014; Charl de Villiers, Dr Leonardo Rinaldi, Stubbs, & Higgins, 2014; Higgins, Stubbs, & Love, 2014; Indra, 2013; International Integrated Reporting Committee, 2011; Joseph, 2007; Pallot, 1992). Adams (2013) argues that Integrative Reporting (IR) requires a fundamental shift and a different way of thinking about what makes an organisation successful. It makes visible the organisation's reliance on a much broader set of capitals than financial capital and a different way of working together rather than in silos. The central question driving our research is whether Integrative Reporting enables collective/kin owned Māori organizations to maintain comprehensive value over time. This question will then be applied to answer the question whether or not maintaining comprehensive value over time will bring about meaningful and sustainable long term economic development. A field of social finance that is highly relevant to our research project is the Environmental, Social, and Governance (ESG) scale, which scores businesses among a number of dimensions. Environmental dimensions consider businesses' impact on climate change, hazardous waste, and sustainability. Social dimensions include diversity, human right, consumer protection, and animal welfare. Governance dimensions include management structure, executive compensation, and employee relations. (Axel & Chris van, 2014; Indra, 2013; Patty, 2009; Tineke, Rosemarie Hordijk, & Willem, 2014). We seek to adapt the Environmental, Social, and Governance (ESG) scale in order to fully reflect the six capitals of Integrative Reporting. It will then be viewed through the lens of Tikanga Māori (beliefs and values), to create a measurable, comprehensive scorecard valid and reliable locally to New Zealand but may inform international standards.

## **2. Literature Review**

### *2.1 Integrated Reporting*

Brown & Dillard (2014) argue that Integrated Reporting (IR) as conceived by the IIRC, provides a very limited and one-sided approach to assessing and reporting on sustainability issues. Whilst some argue that Integrated Reporting (IR) is a "potent tool" to mainstream sustainability in companies and capital markets, there are others who believe that it perpetrates the myth that a singular, standardized narrative will somehow satisfy accounting's public interest responsibilities. However, Adams (2013) argues that Integrative Reporting (IR) requires a fundamental shift and a different way of thinking about what makes an organisation successful. It makes visible the organisation's reliance on a much broader set of capitals than financial capital and a different way of working together

rather than in silos. Bommel (2014), applying Boltanski and Thevenots sociology of worth (SOW) framework to analyse integrated reporting in the Dutch field.

## 2.2 Social Finance

Overview of recent developments in the field of social finance are worthy of a separate study. Below, we outline the main strands of the literature.

*Corporate Social Responsibility (CSR)* has, of all strands of social finance research, received the most attention in academic literature. Essentially, every large corporation these days has a department that engages in CSR activities.<sup>1</sup> Blowfield and Murray (2008) identify five aspects of corporate responsibility: (1) issues that have broad social implications, (2) possible economic benefits related to social and environmental performance, (3) business attitudes, awareness, and practices as they relate to the way corporations contemplate nonfinancial operations, (4) implications of corporate actions on nonbusiness stakeholders, (5) awareness of corporate social responsibility. Callado and Gonzales (2011) document positive effects of CSR in the banking sector. Positive valuation of social responsibility practices by consumers results in better strategic positioning, higher demand, and profits. Oikonomou et al. (2012) show that CSR is negatively related to systemic firm risk. Albuquerque et al. (2012) find that CSR activities are viewed as investment in higher customer loyalty.

*Microfinance* provides access to financial services in areas and communities where banks are absent. Unlike commercial banks that seek wealth maximisation, microfinance institutions (MFI) strive for social wealth maximisation (Hassan & Sanchez, 2009). However, practically, MFIs should focus on two perspectives —social performance and financial performance. While MFIs should concentrate on poverty reduction, they should also generate sufficient income to cover their financing and operating cost (Hassan & Sanchez, 2009). Therefore, social and financial performance plays a pivotal role of MFIs management and its efficiency.

*Social Impact Bonds* have received practically no coverage in mainstream finance literature. All references essentially are constrained to reports prepared for policy makers (e.g., Disley et al., 2011). Social impact bond (SIB) is a contract between the government and private investors, aiming to improve social outcomes. Funds are obtained from private investors and the return is realized only if the social outcome is achieved. A major advantage of SIBs is that social programmes are realized without increasing public debt. It is, however, difficult to evaluate whether contracts have been successful or not (as they are stated in non-monetary terms). They are also unattractive to investors, as they have high risk, low return, lack of liquidity, and inability to independently verify the success of the outcomes.

*Sustainable and Socially Responsible Investing* means that ESG scores are explicitly incorporated into portfolio analysis and management, with the money only being invested in firms with high ESG scores. Sustainable investing implies that investments are aligned with environmental and social realities, e.g. high net worth individuals choosing to invest in thematic funds.<sup>2</sup> Around 15% of assets under professional management in US and Europe can be classified as socially responsible. Even though conventional wisdom suggests that such funds should underperform (as they voluntarily

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<sup>1</sup> This, in itself, makes it difficult to define a “social enterprise”, as practically all firms advance some social causes to some degree.

<sup>2</sup> Thematic funds are one of the earliest forms of socially responsible investing. These funds do not invest in firms associated with alcohol, tobacco, gambling, pornography, weapons, and nuclear energy.

move to a suboptimal frontier), Cortez et al. (2012) and Bauer et al. (2006) find no underperformance of such funds in US, Europe, and Australia.

*Social Aspects of Privatization* have received attention in academic literature as well. Voucher privatization entails distribution of exchangeable vouchers to citizens for free (or at a reduced cost). They are then convertible into shares of state owned enterprises. The idea behind such an approach was to promote share ownership among wider population. While initially popular politically, it later became unpopular, as it was (correctly) seen as robbery by the elite. Megginson and Netter (2001) have shown that such an approach to privatization is the least effective of all the alternatives.

Despite the lack of a uniform definition of social finance, we believe that an overarching concept is consideration for both monetary and social benefit. Outcome success for a social enterprise needs to be measured against the environmental, social, and governance criteria developed by MSCI. Table 1 presents its dimensions.

### **3. Data and Methodology**

#### *3.1 Regional Economic and ESG Indicators*

Data on regional economic development comes primarily from two sources: (1) OECD Regional Development database<sup>i</sup> and (2) Statistics New Zealand. Some of these indicators are presented in Table 2. These variables include, but are not limited to per capita GDP, youth unemployment, number of innovations (patents), access to housing. This data serves two main purposes. First, it allows us to have a comprehensive overview of regional development that is somewhat consistent with ESG dimensions. Second, such data collection is of exploratory nature. The primary objective of this research project is creating a scale that allows assessment of Maori businesses from the perspectives of Integrated Reporting, social finance, and Maori values. Any scale like this is, by definition, somewhat arbitrary, and thus open to criticism. Thus, it is our intention to create a scale that is transparent, consistent, and based largely on publicly available, independently verifiable data. We thus need to explore the availability of data that can be aligned with ESG dimensions.

The next stage of data collection, which is currently work in progress, is based on a survey of Maori business managers. Essentially, a survey comprises of series of questions regarding the importance of certain environmental, social, and governance variables for the business. These could range from breadth of ownership to fresh water quality to youth unemployment. Responses to this survey will be used to create weights for our scale.

#### *3.3 Data on Maori Businesses*

Descriptive statistics for Maori-owned businesses come primarily from three sources. Aside from the above mentioned survey, certain variables are available from Statistics New Zealand. Importantly, some Maori entities have stakes in corporations listed on the New Zealand Stock Exchange (NZX) through partnerships with the government. As NZX-listed companies are public, wealth of data is available through mandatory disclosure. ESG score compiled by MSCI is available for publicly traded firms.<sup>3</sup> Furthermore, Maori ownership of publicly traded companies is not binary, but is rather a

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<sup>3</sup> MSCI ESG is self-reporting, thus low scores of some New Zealand firms may be due to mis-reporting, which further motivates our scale.

percentage of the company owned. This opens a door to continuous regression analysis of the relationship between Maori ownership and ESG indicator.

#### **4. Results, and Policy Recommendations**

The results, which are currently work in progress, would allow us to perform a comprehensive, consistent assessment of Maori businesses on a broad scale. Our research project will lead to a better understanding of the current state of Maori businesses and their impact on regional development. Also, through the analysis of publically available data, in conjunction with data obtained from surveys, it is the ultimate objective of this research to create an assessment scale that scores Maori businesses on criteria that is consistent with the environmental, social, and governance (ESG) scale developed by MSCI.

Our intention is to be consistent with international research, while reflecting Maori values. We believe that the majority of variables for our assessment scale should come from publicly available, independently verifiable data sources. Any measurement scale is, of course, somewhat arbitrary. However, we believe that as long as the scale is transparent, consistent, and replicable, it is a valid instrument. As for the weights used in the scale, we intend to go to the survey results, and essentially assign a 1-10 importance score on various economic and social indicators.

In the end, our results will help Maori businesses to not only better understand their operations on a broad scale, but also to identify strategies and directions targeting positive impact in the community. This will ultimately improve the well-being of Maori, contribute to regional economic development, and improve the lives of all New Zealanders. Our results may also be of interest to the government, as they may point to social and economic policies.

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**Table 1. MSCI ESG Hierarchy**

Table 1 presents the dimensions of

<b>Pillars</b>	<b>Themes</b>	<b>Issues</b>
Environment	Climate Change	Carbon Emissions; Energy Efficiency; Product Carbon Footprint; Financing Environmental Impact; Climate Change Vulnerability
	Natural Resources	Water Stress; Biodiversity and Land Use; Raw Material Sourcing
	Pollution and Waste	Toxic Emissions and Waste; Packaging Material and Waste; Electronic Waste
	Environmental Opportunities	Opportunities in Clean Technology; Opportunities in Green Building; Opportunities in Renewable Energy
Social	Human Capital	Labour Management; Health and Safety; Human Capital Development; Supply Chain Labour Standards
	Product Liability	Product Safety and Quality; Chemical Safety; Financial Product Safety; Privacy and Data Security; Responsible Investment; Health and Demographic Risk
	Stakeholder Opposition	Controversial Sourcing
	Social Opportunities	Access to Communications; Access to Finance; Access to Health Care; Opportunities in Nutrition and Health
Governance	Corporate Governance	Board; Pay; Ownership; Accounting
	Corporate Behaviour	Business Ethics; Anti-Competitive Practices; Corruption and Instability; Financial System Instability

Table 1. Regional Economic Indicators

Table 1 presents the main economic, social, and environmental indicators for New Zealand regions. Unless stated otherwise, the numbers are for 2013 and have been obtained from OECD regional database.

Region	GDP per capita	Disposable household income	Unemployment rate	Patent applications	Air pollution in PM2.5	CO2 Emission rate (tonnes per capita)	Intentional Homicide rate	Motor Vehicle Theft Rate	Rate of Young People Not in Employment or Education	Rooms per capita
Northland	34973	20373	9.2	3	1.9	0.7	1.2	562	16.9	2.3
Auckland	54370	28601	6.8	146.92	2.8	1.2	1.3	689.9	10.6	2.0
Waikato	48460	23514	6	39.61	2.0	17.2	0.9	294.6	14.4	2.3
Bay of Plenty	42410	20375	7.5	11.48	2.4	1.3	0.7	371.6	13.3	2.3
Gisborne	34596	23028	8.1	0	1.4	117.3	2.1	331.2	17.5	2.2
Hawke's Bay	40215	28127	5.5	3.23	1.8	10.1	0	287	..	2.4
Taranaki	80722	22833	7.5	3.75	2.2	8.9	0.9	140.2	12.9	2.4
Manawatu-Wanganui	39563	33601	6.4	9	1.3	3.9	0	452	17.5	2.2
Wellington	62328	24722	4.3	25.6	2.1	6.4	0.6	471.9	10.4	2.2
Tasman-Nelson-Marlborough	45443	30867	4.1	6.6	1.5	12.9	0	224.3	9.8	2.3
West Coast	52152	27681	5.2	0	1.8	340.7	0	170.7	8.5	2.1
Canterbury	53658	27089	4.7	42.39	2.3	3.0	0.9	425.9	8.3	2.3
Otago	46997	20373	9.2	9.5	2.0	1.6	1.4	164	6.6	2.1
Southland	57313	28601	6.8	1.14	1.9	18.8	0	188.6	13.5	2.3

# **Aid for Trade: Social and Economic Innovation and Development**

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## **ABSTRACT**

Aid for trade and aid and trade terms became crucial as years of economic growth and development are yet to reduce poverty and developing countries to benefit from trade. Social and economic innovation though specific targeted aid for trade is to improve wellbeing, and increase trade and growth. Various components of aid and then aid for trade variables highlight what then should we measure? Evaluation of effectiveness of Australian and New Zealand aid and trade to the Asian-Pacific nations, examines the link between aid and trade expansion using the gravity model. Findings highlight the significance of aid for trade by various categories to improve trade and growth, and reflect the policy implications for socio-economic development.

**Keywords:** Foreign Aid, Trade, Regional impact, Socio-economic development

## **INTRODUCTION**

Foreign aid supports various development programmes, poverty reduction, and meets specific targets of social and development goals. The recent focus of aid has been extended to include aid for trade (AfT) activities. The motivation of aid to assist developing countries' needs is also seen to promote commercial interests of the donors (Gounder, 1994; Berthélemy, 2006; Bandyopadhyay and Vermann, 2012). Foreign aid is tied to purchase goods from donor countries. The Organisation for Economic Cooperation and Development (OECD) policy on reducing tied aid was critical to recipients' trade linkages. Aid and trade came into existence in 2005 due to flailing Doha Round. Stiglitz and Charlton (2006) note the right to trade and the right to development as trade has been a significant part of nations' economic activities.

To assist developing nations in trade strategy development, trade agreement negotiations, improve infrastructure to effectively compete in the global markets, the AfT is to enhance the capacities to address standards, trade policy, regional integration, and competitiveness. The study accesses the effectiveness of Australian and New Zealand AfT to the Asia-Pacific nations using gravity model for economic development and whether AfT programmes promote trade and thus growth. The implied returns of exports on aid are estimated for AfT components. The changes in the dynamic market structures through aid, trade and AfT for development highlight the regional partnership by the donors and recipient countries.

The AfT categorisations include projects and programme activities for trade-related development priorities and strategies of developing countries (OECD, 2006). The emphasis is to build the supply-side capacity, trade-related infrastructure and its overall effectiveness has become a crucial focus of foreign aid. To facilitate trade in developing countries donors have targeted assistance aimed to support the removal of trade constraints and promote economic growth. The studies on AfT point out that despite years of growth and development poverty incidence remains highly prevalent and that developing countries yet to benefit from trade (Cali, Rassaque and te Velde, 2011, Asian Development Bank (ADB)/World Trade Organization (WTO), 2011).

To achieve the impact of substantial transformational and structural changes, development assistance has been considered pertinent to reduce the adverse socio-economic effects and hardships. These challenges have increased due to the global financial and economic crisis in the Asia-Pacific region. Aid allocations from OECD nations increased in the post-2008 period and AfT under various aid categories reached at least 25 percent of total aid.

Improving the level of trade potential through diversifying of exports, stimulating domestic sectors, increasing markets and adjustment capacities of Asian emerging countries led to higher growth. The use of foreign aid is intended to engage developing countries in building their physical capacity, human capability, and operational frameworks necessary to support trade-related development priorities. Trade integration within the Asia-Pacific region (and the rest of the world) is a vital driving force to enhance growth. This not only provides better access to goods, services, employment, and economic development opportunities necessary to improve income and livelihoods but also better social development aspects as a means to attain quality living standards, i.e., educational attainment, health, clean water, sanitation and reduce gaps in urban-rural income and infrastructure.

The paper is structured as follows: the next section highlights the Australian, New Zealand and Asian-Pacific trade practices and the participation of Asia-Pacific developing countries' trading system. The models show the aid-trade nexus followed by the data and estimated results. The results of Australian and New Zealand AfT flows to Asia-Pacific countries indicate positive impacts of various AfT activities. The final section presents some socio-economic policy implications.

## **TRADE POLICIES: AUSTRALIA, NEW ZEALAND, ASIA-PACIFIC**

The regional trade partnerships of Australia and New Zealand with Asia-Pacific countries are Asia Pacific Economic Cooperation (APEC)<sup>1</sup> and the Association of South East Asian Nations (ASEAN).<sup>2</sup> The APEC, established in 1989, promotes free trade and economic cooperation throughout the Asia-Pacific region in response to growing integration of these economies and the advent of regional trade bloc in other parts of the world. Australia and New Zealand's free trade with ASEAN members

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<sup>1</sup> Member are Australia; Brunei Darussalam; Canada; Chile; People's Republic of China; Hong Kong, China; Indonesia; Japan; Republic of Korea; Malaysia; Mexico; New Zealand; Papua New Guinea; Peru; The Republic of the Philippines; The Russian Federation; Singapore; Chinese Taipei; Thailand; United States of America; and Viet Nam. These economies account for approximately 40.5% of the world's population, approximately 54.2% of world GDP and about 43.7% of world trade (APEC Secretariat, <http://www.apec.org>, accessed on 10 Oct., 2014).

<sup>2</sup> ASEAN members include [Brunei](#), [Indonesia](#), [Malaysia](#), [Philippines](#), [Singapore](#) and [Thailand](#). [Vietnam](#), [Laos](#), [Myanmar](#) and [Cambodia](#). It is a major regional political and economic grouping with a population of over 600 million. Australia and New Zealand became a 'dialogue partner' of ASEAN in 1974; joined the [ASEAN Regional Forum in 1994](#), and in 2005 acceded to ASEAN's Treaty of Amity and Cooperation (<http://www.asean.org/asean/external-relations>, accessed on 10 October 2014).

is part of the ASEAN Free Trade Area (AFTA) as a trade bloc agreement by its member nations (Commonwealth Government, 2012).

The Pacific Forum Island Countries (FICs) trade agreements with Australia and New Zealand's regional trading agreements include South Pacific Regional Trade and Economic Cooperation Agreement (SPARTECA), Pacific Island Countries Trade Agreement (PICTA), Pacific Agreement on Closer Economic Relations (PACER), and PACER Plus. SPARTECA is the first agreement aimed at trade liberalisation between the FICs in 1980. It has a non-reciprocal agreement with Australia and New Zealand that offer duty free and unrestricted or concessional access for exports of the Forum members.

The policies initiated in the mid-1980s aimed to open developing economies to trade and achieve growth through export-oriented open market strategies, mainly by Fiji, Samoa and Cook Islands (Reddy and Gounder, 2004). But, there was gradual erosion over time of the preferential access to these markets that the FICs enjoyed as Australia and New Zealand signed other trade agreements. Australia and New Zealand saw little benefit in reciprocal free trade among the FICs if they were excluded, noting the resultant as trade diversion rather than trade creation. It led to two separate trade agreements, one excluding Australia and New Zealand, and other with their inclusion.

The Pacific Island Countries Trade Agreement (PICTA) includes 14 FICs (excludes Australia and New Zealand) with the aim to strengthen, expand and diversify trade between the FICs through the elimination of tariffs and non-tariff barriers, with the objective of leading to eventual creation of a single market (Narsey, 2004).<sup>3</sup> The FICs reluctance to include Australia and New Zealand in a free trade area was to liberalise trade among FICs into the arena of globalisation.<sup>4</sup> The Pacific Agreement on Closer Economic Relations (PACER) has 14 FICs, Australia and New Zealand. This framework for future trade relations envisages developing of a single regional market whereby if FICs are to enter formal trade negotiations with other developed country has to negotiate for trade arrangements with Australia and New Zealand.

The PACER assures Australia and New Zealand being not disadvantaged in the Pacific Island markets. Also, if it is not activated within eight years of PACER being in force, then FICs are obliged to enter negotiations with Australia and New Zealand to develop a reciprocal free trade agreement (see Ministry of Foreign Affairs and Trade (MFAT), 2009). Kelsey (2005) notes that Pacific Islands stand to gain little from trade negotiations with the European Union, but may lose a lot if PACER is triggered that result in free trade with Australia and New Zealand (e.g., loss of tariff revenues, etc.).

New Zealand government identifies PACER Plus (initiated in 2009), as an agreement that will not be approached in the usual way, due to the nature of New Zealand's relationship with the Pacific Island countries. "New Zealand's key objective in pursuing PACER Plus will be to ensure that the agreement promotes sustainable economic growth in the Pacific, enabling Pacific Island countries to capitalise on potential for trade" (MFAT, 2009, 2010, [www.mfat.govt.nz](http://www.mfat.govt.nz)). This agreement focuses on capacity building, market liberalisation and economic cooperation, and highlights that goods trade imbalance between New Zealand and FICs should be addressed (Scollay, 2010). Australia has indicated a similar focus in PACER Plus agreement.

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<sup>3</sup> It is to move towards a regional free-trade area with the larger countries by eliminating trade barriers by 2010, with Small Island States and Least Developed Countries by 2012 (Oxfam, 2003).

<sup>4</sup> However, Scollay (2006) notes that trade benefits from regional integration are only likely to be significant when Australia and New Zealand are included.

The Australia and New Zealand Closer Economic Relations Trade Agreement (ANZCERTA) is the basis of trade between the two developed economies that commenced on 1 January, 1983. This is free movement of trade, capital and labour between the two countries. The WTO described ANZCERTA as “the world’s most comprehensive, effective and mutually compatible free trade agreement” (MFAT, 2009, [www.mfat.govt.nz](http://www.mfat.govt.nz)). Any benefits derived from CER provide no benefit to the FICs since they are excluded from the arrangements, so ANZCERTA’s objective of moving to a Single Economic Market (in Australia and New Zealand) may be detrimental for the FICs.

Exports of larger Asian developing nations comprise of agriculture, manufacturing and services, the smaller Asian countries and Pacific Islands’ exports include mainly a narrow range of primary commodities. Many Pacific islands and Asian developing countries generally have a high degree of openness to international trade, thus any change in the terms of trade will lead to significant change in their export earnings and growth (Gounder, 2001; Broda and Tille, 2003). The increase in global export production process suggests that it is important to increase efficiency by reducing trade barriers and policy adaptation to address the issues of globalised production and consumption (Overholt, 2014). He points out that failure to address this concern could lead to dynamic market structures such as the regional comprehensive economic partnership promoted by the Asian emerging economies.

### **AID FOR TRADE STRUCTURES**

Aid for Trade plays a similar role of foreign aid for economic and social development in developing countries. Hence the WTO’s conceptual basis of AfT was to improve the business environment and make developing economies more resilient and responsive to future needs (OECD, 2010). This highlights the need to improve many of these countries’ institutions and enterprises, and to develop capacities such as information, policies, procedures and infrastructure to effectively compete in the global markets. In terms of assessing the capacities of Asia-Pacific developing nations the major issues to be addressed include standards, trade policy, regional integration and competitiveness (OECD/United Nations and Economic Commission for Asia and the Pacific/WTO, 2011).

The AfT policy and regulations are aimed at providing technical assistance to promote trade and thus growth, assist in trade strategy development, trade agreement negotiations, and to implement outcomes. The AfT-related infrastructure supports transport, storage, communication, and energy generation and supply. The AfT productive capacity building supports private sector to exploit its comparative advantage and to diversify exports (sectoral focus for agriculture, forestry, fishing, industry, mining, tourism, banking-financial services, business and other services). The AfT-related adjustment category is the assistance linked to trade liberalization (tariff reductions, preference erosion or declining terms of trade). Aid allocated for other trade-related needs is to support other projects such as health and education both of which provide indirect contribution to trade development.

Studies have subsequently debated various aspects of AfT and aid effectiveness. The mixing of aid and trade policies has been noted by Morrissey (1993). The recent AfT studies by Cali and te Velde (2008, 2009); Turner (2008); Deardorff and Stern (2009); Hoekman (2010); Cali, Razzaque and te Velde (2011); Stiglitz and Charlton (2006, 2013), examine aid effectiveness. Some indirect effects of AfT include shifting trade priority in aid spending to strengthen the productive sector and the supply-side relative to social sectors such as education and health (Hoekman and Prowse, 2009; Cali and te Velde, 2008). Stable policy and strong governance is necessary to boost trade (Stiglitz and Charlton,

2006). They note that AfT fund should prioritise programs to mitigate risks for enterprises in developing countries and to promote the development of local financial markets.

The empirical findings on the categories aid for infrastructure, productive capacity building and trade policy regulation show that aid for economic infrastructure promotes export and the aid component for productive capacity building increases export but at a lower rate and it leads to export costs reduction (Cali and te Velde, 2008). Using the gravity model (167 exporters and 172 importers), Helble, Mann and Wilson (2009) find that AfT increases export. Cali and te Velde's (2009) study on small and vulnerable economies (using gravity model) find that aid for infrastructure increases export and aid for productive capacity building decreases exports in food and manufacturing but made increases in mineral and tourism sectors.

For developing countries to gain from trade preferences need to build the knowledge base, determine relevant preferences in their development processes and policies; build supply capacity and regulatory environment; and create effective mechanism to deal with preference erosion, such as harmonization (Prowse, 2010). A trade cost study for a panel of 99 developing countries show that aid for regulatory quality leads to trade costs (i.e., import costs reduction and not export costs) and aid for policy regulation leads to trade cost reduction (Busse, Hoektra and Königer, 2011). The AfT has risen rapidly in the past several years and makes up a third of ODA to address export expansion, investment climate, sectoral impact on developing nations and small vulnerable economies (Basnett, Engel, Kennan, Kingombe, Massa, and te Velde, 2012; Razzaque and te Velde, 2013).

Australia and New Zealand's elimination of trade barriers with the ASEAN is aimed at improving efficiency, productivity and competitiveness in the region (Commonwealth Government, 2012). The Pacific Islands Forum Secretariat (2011) notes the need to address the supply-side constraints (i.e., private sector capacity, infrastructure) to improve trade integration and development to integrate into regional and global markets. As AfT is intended to support integration and intra-regional trade the next section presents the model specifications and estimated results for Australia and New Zealand aid and trade and AfT with the countries in the Asia-Pacific region.

## **EMPIRICAL ANALYSIS: MODELS AND RESULTS**

The linkage between aid and trade is assessed utilizing gravity models that indicate the impact of aid and trade based on the factors that affect the decision(s) of donors' aid-trade relationships. Following the study by Wagner (2003) that used a gravity model to analyse aid and trade linkages for Development Assistance Committee members, this study examines the links between Australian and New Zealand's aid and exports of goods given their regional interest in the Asia and South Pacific region. The estimations include 40 Asia-Pacific developing countries.<sup>5</sup> The models are estimated for the period 2002 to 2012.

The two dependent variables are total aid flows (ODA disbursements) from Australia and New Zealand and exports from Australia and New Zealand to Asia-Pacific countries. The AfT analysis is

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<sup>5</sup> Afghanistan, Bangladesh, Bhutan, Brunei Darussalam, Cambodia, China, India, Indonesia, Lao PDR, Malaysia, Maldives, Mongolia, Myanmar, Nepal, Pakistan, Philippines, Singapore, Sri Lanka, Thailand, Vietnam, American Samoa, Cook Island, Fiji, French Polynesia, Guam, Kiribati, Marshall Islands, Micronesia, Federated States, New Caledonia, Niue, Northern Mariana, Nauru, Palau, Papua New Guinea, Samoa, Timor Lester, Solomon Island, Tonga, Tokelau, Vanuatu.

further disaggregated into aid for trade infrastructure; aid for trade productive capacity building; and aid for trade policy regulation. Gounder (1995, 1998) provides a comprehensive discussion on regional focus of the Australian and New Zealand's aid programs and aid motivations, respectively.

Equation (1) presents for exports from donor country (i) to recipient country (j) and equation (2) includes the impact of aid on trade based on Wagner (2003). The model specifications for trade (i.e., exports) and aid are as follows:

$$\ln(T_{ij}) = \beta_0 + \beta_1 \ln(GDP_{ij}/GDP_{AP}) + \beta_2 \ln(GDP_{pci}) + \beta_3 \ln(GDP_{pcj}) + \beta_4 \ln(Dist_{ij}) + \beta_5 Rem_i + \beta_6 Rem_j + \beta_7 Lang_{ij} + \epsilon_{1ij} \quad (1)$$

$$\ln(A_{ij}) = \beta_0 + \beta_1 \ln(GDP_{pci}) + \beta_2 \ln(GDP_{pcj}) + \beta_3 \ln(Dist_{ij}) + \beta_4 Rem_i + \beta_5 Rem_j + \beta_6 Lang_{ij} + \epsilon_{3ij} \quad (2)$$

where  $T_{ij}$  is the exports between donor  $i$  to recipient country  $j$ ;  $A_{ij}$  is total net ODA disbursements and disaggregated aid for trade categories from donor  $i$  to recipient country  $j$ ; GDP is Gross Domestic Product of donor  $i$ , recipient country  $j$  and AP Asia-Pacific nations;  $GDP_{pci}$  is GDP per capita of donor  $i$ , and  $GDP_{pcj}$  is per capita GDP of recipient country  $j$ ;  $Dist_i$ ,  $Dist_j$  is distance in nautical miles between donor country  $i$  and country  $j$ ;  $Rem_i$  is remoteness of donor  $i$  and  $Rem_j$  is remoteness of recipient country  $j$ ;  $Lang_{ij}$  is common language factor between donor country  $i$  and recipient country  $j$ ;  $\epsilon_{ij}$  is error term that affects the dependent variable and is time variant.

Equation (1) includes the impact of aid on trade, which specifies that aid increases trade in an upward direction between the donor and the recipient or that aid reduces trade barriers. AfT impacts for Asia-Pacific recipient countries' are measured for specific AfT categories. Computations undertaken here include developing countries that Australia and New Zealand gave positive or zero aid to estimate the equations. The elasticity of aid impact where zero aid is defined is explained using the method to handle the issue of no aid in the log term as  $\ln(1+aid)$  which then has all positive values with large numbers (see Wagner, 2003. p.162). To address the no aid dummy (NAD) used in the analysis it takes the value of 1 if aid from the donor  $i=0$ , and takes the value of 0 if aid from donor  $i > 0$ .

The model estimation for trade–aid nexus takes the following specific form:

$$\ln T_{ij} = \ln \Gamma_{ij} + \beta_8 \ln(\max\{1, A_{ij}\}) + \beta_9 NAD_{ij} + \epsilon_{3ij} \quad (3)$$

Incorporating the aid variables in the equation, the trade-aid framework is as follows:

$$\ln(T_{ij}) = \beta_0 + \beta_1 \ln(GDP_{ij}/GDP_{AP}) + \beta_2 \ln(GDP_{pci}) + \beta_3 \ln(GDP_{pcj}) + \beta_4 \ln(Dist_{ij}) + \beta_5 \ln Rem_i + \beta_6 \ln Rem_j + \beta_7 Lang_{ij} + \beta_8 \ln(\max\{1, A_{ij}\}) + \beta_9 NAD_{ij} + \epsilon_{4ij} \quad (4)$$

where  $\ln \Gamma_{ij} = \beta_0 + \beta_1 \ln(GDP_{ij}/GDP_w) + \beta_2 \ln(GDP_{pci}) + \beta_3 \ln(GDP_{pcj}) + \beta_4 \ln(Dist_{ij}) + \beta_5 Rem_i + \beta_6 Rem_j + \beta_7 Lang_{ij}$ ;  $A_{ij}$  is net ODA (in US\$ constant prices 2010) given by donor  $i$  to recipient  $j$ , and the

disaggregated AfT categories, that is aid for trade infrastructure; aid for trade productive capacity building and aid for trade policy regulation;  $NAD_{ij}$  is dummy variable taking the value 1 if aid by donor  $i=0$ , and value of 0 if  $A_{ij}>0$ . All independent variables are the parameters shown in equation (1).

The aid coefficient ( $\beta_8$ ) is further estimated by disaggregating total AfT into aid for trade infrastructure ( $AfTInf_{ij}$ ), aid for trade productive capacity building ( $AfTPCD_{ij}$ ) and aid for trade policy regulation ( $AfTTPR_{ij}$ ). The coefficient  $\beta_9$  aid value is zero, thus the log value of trade when aid is positive exceeds the log value of trade when aid is zero by  $\beta_8 \ln(A_{ij} - \beta_9)$ . Distance leads to agglomeration, and it is an important determinant of trade volume between countries, and countries that are located closely together tend to constitute a natural trading bloc (i.e., a reduction in trade barriers between them can give economic benefits). Language reflects common languages spoken in the donor and recipient countries. Variables used for distance, remoteness and language are widely discussed by Leamer (1977), Head, Ries and Wagner (1998), Nitsch (2000), Wager (2003), and Vijil and Wagner (2012).

The panel data methodology captures the effect of changes in the cross sectional attributes over time, variability within variables, reduces multicollinearity problem and analyses the effects of time variant factors. Various model diagnostics are applied, that is Heckman's inverse mills ratio to test for sample distribution for unbiased estimates. The import residuals statistical test is estimated to consider donors imports with Asia-Pacific nations to reflect the relationship between trading partners. This is based on the assumption that the unmeasured variables would, on average, affect imports the same way as it would affect exports (Wagner, 2003, p.164). The data source is as follows: GDP, GDP per capita – World Bank (2014) and Secretariat of the Pacific Community (2014); ODA and AfT data – OECD (2014); exports and imports - Australian Bureau of Statistics (2014) and Statistics New Zealand (2014); distance is measured as geodesic distance through great circle formula - Mayer and Zignago (2006); remoteness is estimated based on Wagner (2003), Vijil and Wagner (2012); and Language is based on Head, Ries and Wagner (1998).

The estimated empirical results in Table 1 show the correlations of foreign aid flows to Asia-Pacific developing countries. The  $\ln GDP_i$  though insignificant has a positive correlation with aid, it suggests that a donor's GDP increases with aid to Asia-Pacific countries. The  $\ln GDP_j$  coefficient of recipient countries is positive and significant at the 1% level. This implies that a 10% increase in recipients' GDP increases donors' aid to the recipients by 3.4%. The significant negative  $\ln Dist_{ij}$  coefficient implies that aid is reduced the further the distance between donors and the recipients. Donors' income per capita,  $\ln(GDP_{pci})$  is positive and insignificant, while the significant negative income per capita of the recipients,  $\ln(GDP_{pcj})$ , do not increase with aid. The positive language coefficient is insignificant at the conventional level does show a weak significant linkage, thus there is no substantial barrier given the common language between donors (Australia, New Zealand) and the level of common language of the recipients in Asia and the South Pacific region.

**Table 1 Aid and Donor-Recipient Nexus, South East Asia and South Pacific Region***Dependent Variable: Log Net ODA*

<i>Variable</i>	<i>Coefficient</i>	<i>t ratio</i>
$\ln(\text{GDP}_i)$	0.01	0.54
$\ln(\text{GDP}_j)$	0.34	8.18***
$\ln(\text{DIST}_{ij})$	-0.20	1.58*
$\ln(\text{GDP}_{pcj})$	1.92	0.59
$\ln(\text{GDP}_{pci})$	-1.10	4.26***
$\ln(\text{Lang}_{ij})$	0.74	1.53
Mills ratio	6.52	6.40***
C	-6.63	8.55***

Number of observations = 880

Adj. R-square = 0.51

Notes: \*\*\*, \*\*, \* Significant at the 1, 5 and 10% level, respectively.

The three sets of results in Table 2 presents the impact of the donor and recipient countries' trade-aid nexus, i.e., trade-aid nexus; impact using residuals from imports; and the differential impact of AfT categories (eq. 3 and 4). The hypothesis assumes that aid increases trade positively, it favours the donor through aid to trading partner and/or it reduces barriers to trade where aid for infrastructure, trade capacity building, and trade policy regulation improves donors' trade.

The estimated panel log aid coefficients show the elasticity impacts of aid and also the correlation between other independent variables.<sup>6</sup> Aid coefficient  $\ln(\max\{1, A_{ij}\})$ , estimates the implied returns of exports on aid, that is by how much exports would increase on average per additional dollar of aid. The results in Part 1 for the impact of aid  $\ln(\max\{1, A_{ij}\})$  is positive and statistically significant at the 1% level, thus aid to the Asia-Pacific countries' increases exports from Australia and New Zealand. The estimated implied returns of exports indicate that an increase in aid by 1% increases exports to the recipient country by 2.7%. The estimated value for the implied return of exports is \$0.96, this indicates that on average an additional dollar in aid would increase exports by a similar value (\$0.96). Tied aid of Australia and New Zealand (for 2001 to 2010 period) ranged up to 15 to 17 percent (OECD, 2013), the results indicate that the returns on aid is larger than the tied component of their aid level.

The NAD coefficient is taken together to gain an understanding in relation to aid (i.e.,  $\ln(\max\{1, A_{ij}\})$ ), (see studies by Nilsson, 1998; Wagner, 2003). The estimated NAD coefficient is positive and significant indicating that exports increased by  $(0.27) \ln A_{ij} - 0.80$  in the countries that receive no aid ( $\text{NAD}_{ij}=0$ ). The distance ( $\text{DIST}_{ij}$ ) coefficient is negative and significant which suggests that aid decreases further the distance between donors and recipients. Donor remoteness coefficient ( $\ln \text{Rem}_i$ ) is positive and significant as Australia and New Zealand trade with the Asia-South Pacific nations, and has geographic proximity and regional interest in their aid allocation. Remoteness of recipients ( $\ln \text{Rem}_j$ ) coefficient is positive and significant which suggests that exports increase from the donors even if the recipients are more remote to the donor nations. Language is not a barrier to trade between the donors and Asia-Pacific countries.

<sup>6</sup> As tied and untied aid data is not available thus net ODA data has been used to estimate the impact of aid on trade.

**Table 2 Results for Trade-Aid Nexus, Asia-Pacific Countries***Dependent Variable: Exports*

Variable	Part 1		Part 2		Part 3	
	Panel OLS <sup>a</sup>		Equation with import residuals <sup>a</sup>		Aid for Trade <sup>b,c</sup>	
	Coefficient	t ratio	Coefficient	t ratio	Coefficient	t ratio
$\ln(\max\{1, A_{ij}\})$	0.27	2.41***	0.28	2.14**	$\ln AftInf_{ij}$	0.001 0.09
$NAD_{ij}$	0.80	3.86***	0.81	3.84***	$NADInf_{ij}$	-0.30 2.61***
$\ln(GDP_{ij}/GDP_{AP})$	1.71	6.27***	0.24	0.311	$nAftPCB_{ij}$	0.28 1.67*
$\ln(DIST_{ij})$	-5.45	12.78***	-3.72	0.72	$NADPCB_{ij}$	-0.02 0.13
$\ln Rem_{ij}$	0.59	3.91***	1.28	4.29***	$\ln AftPR_{ij}$	1.49 1.96**
$\ln Rem_{ij}$	1.43	11.15***	-0.68	0.62	$NADTPR_{ij}$	-0.24 1.89*
$\ln(Lang_{ij})$	2.07	4.01***	0.84	1.37		
Import residual			0.96	1.86*		
Constant	-51.13	1.88*	18.98	1.87*		
Number of observations	880		No. of observations		880	
Adj R-square	0.55		Adj R-square		0.56	
Root MSE	1.38		Root MSE		0.308	
Implied 'returns' of exports on aid	\$0.96		Implied 'returns' of exports on aid		\$0.97	

Notes: \*\*\*, \*\*, \* Significant at the 1, 5 and 10% level, respectively. <sup>a</sup> Equations are estimated using other control variables that include  $\ln(GDP_{pcj})$ ,  $\ln(GDP_{pcj})$ , and mills ratio. <sup>b</sup> Estimated aid for trade coefficients are for each category of aid for trade infrastructure (AftInf), aid for trade productive capacity building (AftPCB) and aid for trade policy regulation (AftPR), respectively. <sup>c</sup> Each estimated equation include other control variables, i.e.,  $\ln(GDP_{ij}/GDP_{AP})$ ,  $\ln(DIST_{ij})$ ,  $\ln Rem_{ij}$ ,  $\ln(Lang_{ij})$ ,  $\ln(GDP_{pcj})$ ,  $\ln(GDP_{pcj})$ , mills ratio and import residuals.

The Part 2 results are based on import residuals that do not sacrifice any information on cross-sectional variation, and the special relationship between Australia, New Zealand and Asia and Oceania countries are assumed to remain constant. The aid coefficient  $\ln(\max\{1, A_{ij}\})$  is positive and significant at the 5% level. The coefficient shows that an increase in aid by 1% increases exports to the recipient country by 2.8 percent. The estimated value for implied return of exports is \$0.97; i.e., a value similar to that of earlier equation at \$0.96 (on average) of exports produced per additional dollar increase in aid. Import residuals coefficient is significant at the 10% level. The significant recipients' remoteness parameter ( $\ln Rem_{ij}$ ) indicates an increase in exports from the donors to recipients despite their remoteness.

The results in Part 3 show specific impacts of aid for trade-related categories, i.e., aid for infrastructure (AftInf); productive capacity building (AftPCB); trade policy regulation (AftPR), and the countries with zero aid. AftInf coefficient though positive is insignificant, suggesting that aid to develop infrastructure in the recipient countries has a positive correlation with donors' exports. However, for those countries which do not receive aid (i.e. zero aid) for infrastructure development leads to a reduction in exports significantly. AftPCB significantly increases exports of donors by 2.8% while NADPCB coefficient indicates a reduction in exports to nations with zero aid. Thus, lack of trade-related infrastructure reduces donor exports to non-recipient countries. Interestingly, aid for trade policy regulation translates to a considerable significant benefit in this aid category. Exports from donors show a large increase by 14.90%. This implies that recipients regulate their markets according to donor requirements, thus significantly increase exports from Australia and New Zealand. A significant reduction in exports is seen if nations do not receive aid for trade policy regulation.

## CONCLUSION

This study evaluates aid and trade and aid for trade nexus using the gravity model between two donors, Australia and New Zealand, and 40 Asia and Pacific developing countries. Understanding the

right to trade and providing aid for trade is crucial to improve developing nations' growth for socio-economic development. In particular the economic and social innovations are vital to build developing nations capacity for more effective trade-related issues and negotiations. A favorable impact of aid and trade shows significant increase in exports from the donors to Asia-Pacific countries.

The increase in gross domestic product in the region leads to a substantial increase in donors' aid to recipients. This implies greater capacity to import as donors have direct aid-trade linkages, mainly through explicit tied aid. Distance between nations reduce aid, however Asia-Pacific nations also trade out of obligations to maintain goodwill and to secure aid in the future. Language is not a barrier to trade given the level of common language used between donors and Asia and Oceania nations.

The implied return of donors' exports on aid is much larger on average on exports. The additional dollar increase in aid increases exports at a much higher magnitude to that of tied donors' aid. As exports increase from the donors even if the recipients are more remote suggest that donors consider implementing aid for trade programmes and projects to identify various trade-related constraints and address these specific concerns. It is noted that donors' have regional focus of aid and further trade would not have happened if some aid was not forthcoming, and also aid would not have increased without additional trade. As the implied return on productive capacity building and trade policy regulation is very high on donors' exports on aid the results suggest some implications to improve infrastructure, productive capacity building and trade policy regulation to benefit Asia-Pacific nations facing substantial trade-related and development challenges.

Innovative actions for economic-social development is to support trade development through innovative institutions in the Asia-Pacific developing countries, maintaining successful small, medium and large size enterprises networks of the government through public-private networks, strategies to manage an enabling trade environment for both domestic and international trade development. Developing of human capital and social capital to mitigate against the bottlenecks is vital in these nations. As the government has a crucial role in promoting private sector participation/development, removing constraints and enhancing trade-related activities such as trade policy regulation for regional negotiations, implementation of trade agreements, trade policy and planning are important for many developing countries.

If aid for trade is to improve economic and social development specific development for trade infrastructure can further reduce transport cost and promote trade amongst nations. As aid for trade-related policy regulations translate to most significant export benefits for the donors, Asia-Pacific nations then in regulating their markets in line with donor requirements could also benefit through trade strategy development and trade agreement negotiations given their export potentials. Building these developing nations' capacity for trade policy regulations highlight their right to trade. Aid for productive capacity building is crucial to improve the sectoral performance of developing Asia-Pacific nations. A severe constraint many of these nations face is the lack of export opportunities rather than aid. As aid does not reach private business development they require commercial opportunities to build their capacity.

Enhancing socio-economic knowledge and information of standards, trade policy and planning; and market analysis and development will benefit trade development. This could reduce the supply-side constraints seen in both public and private sector capacity and infrastructure. Many Pacific island nations need to improve trade integration-development outcome, integration into the regional and

global markets, and elimination of trade barriers that could improve efficiency, productivity and competitiveness in the region. Aid for trade should be aimed to achieve developing countries sustainable trade-related growth.

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# **A General Overview of Social Innovation Movement in Japan and China: Similarities and Differences**

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## **ABSTRACT**

This paper attempts to provide a general overview of social innovation activities in Japan and China. The paper first provides a review of various definitions of social innovation based on academic papers, research reports, and explanations provided by famous social organizations. Secondly, the analyses will be conducted based on a comparative study of Japan and China. What are the backgrounds and main social issues they are facing? The paper will discuss the current trends of social innovation referring to social enterprise and social entrepreneurship. It attempts to describe the frameworks of support policies and schemes for promoting social innovation in Japan and China. Finally, by summarizing their similarities and differences of social innovation movement in Japan and China, implications for learning from mutual experiences and idea sharing, therefore for promoting social innovation will be provided.

**KEYWORDS:** Social innovation, Japan, China, Similarities and differences

## **INTRODUCTION**

### **Background**

The world economy has undergone enormous development in the 20th century due to advances in science and continued technological innovation. At the same time, people are aware that many of the social changes and problems facing humanity today cannot be solved by economic development or technical change alone. As globalization progresses, poverty, climate change, income disparity, and other social challenges will continue to affect the world.

In recent years, many researchers have called for more attention to be given to social change and pointed out the necessity of social innovation, claiming that social change has overtaken the speed of technological innovation [1]. Social innovation can be considered a driving force for dealing with social challenges.

To date, many countries (developed or developing) and policy-makers have been active in promoting social innovation by facilitating supportive policies and funding. In Asian countries, social organizations are becoming more active and social sectors are playing an important role in solving social problems. Social organizations are becoming main players in promoting social innovation and are making great efforts to push reforms and drive collaboration between different stakeholders.

Despite experiencing two lost decades of economic development, Japanese society is still a well-developed and mature society. Japan's social issues, such as its aging population, increasing income inequality, and support for working mothers are perennial. The Great East Japan Earthquake of 2011, however, has prompted the government to foster innovation in the social domain to deal with a variety of pressing issues including disaster reconstruction, community network, and regional revitalization. Moreover, from a business development point of view, more enterprises tend to reconsider capitalism and regard it as a social impact catalyzer.

In China, with the increasing charity activities and participation awareness in public affairs, the development of social organizations has made good progress including the increase in the number of non-governmental organization (NGO), non-profit organization (NPO), and other private organizations. Many grassroots NGOs or NPOs have become famous and are highly regarded by society. Generally speaking, as a main player in social innovation, social organizations have been trying to solve problems related to the environment, employment, poverty, and services for the elderly in various innovative ways. While it has still to catch up in terms of scale, China has produced a number of social enterprise organizations and established some incubators to support social enterprises. These activities simultaneously pushed the government to reconsider its relevant policies and continually release new policies to support the development of social entrepreneurship as a more sustainable way to address societal challenges.

### **Research Purpose**

This paper attempts to provide a general overview of social innovation activities in Japan and China. The paper first provides a review of various definitions of social innovation based on academic papers, research reports, and explanations provided by famous social organizations. Secondly, the analyses will be conducted based on a comparative study of Japan and China. What are the backgrounds and main social issues they are facing? The paper will discuss the current trends of social innovation referring to social enterprise and social entrepreneurship. It attempts to describe the frameworks of support policies and schemes. Finally, by summarizing their similarities and differences of social innovation movement in Japan and China, implications for learning from mutual experiences and idea sharing, therefore for promoting social innovation will be provided.

### **LITERATURE REVIEW**

Until now, many studies have discussed the definition of social innovation, yet it is still difficult to reach an agreed upon description of the term. It seems to be a complicated term which can be explained in various ways based on different contexts. Many researchers have tried to define social innovation and have attempted many approaches towards capturing this concept. Giovany [1] states that social innovation is always related to collective social action aimed at social change. Some researchers admit that there is no agreed-upon definition of social innovation and instead suggest a working definition of the term as "to improve either the quality or the quantity of life" in order to guide their research [2]. Howaldt [3] argues that what is meant by social does not relate only to the behavioral practices or the human relationship involved in the process of innovation creation and diffusion, but that it has a larger meaning based on the creation of a greater common good. OECD (Organization for Economic Co-operation and Development) explains social innovation as 'dealing with improving the welfare of individuals and communities through employment, consumption or participation, its expressed purpose being to provide solutions for individual and community problems' [4]. A report by Financing Social Impact [5], states that social innovations 'are new ideas,

institutions, or ways of working that meet social needs more effectively (than existing approaches)'. Based on Mulgan et al.' [8] research, social innovation refers to new ideas that work in meeting social goals. Innovative activities and services that are motivated by the goal of meeting a social need and that are predominantly developed and diffused through organizations whose primary purpose are social. According to The Young Foundation, social innovations are defined as 'new solutions (products, services, models, markets, processes etc.) that simultaneously meet a social need (more effectively than existing solutions) and lead to new or improved capabilities and relationships and better use of assets and resources. In other words, social innovations are both good for society and enhance society's capacity to act' [6], which is considered to be a comparatively integrated definition.

Based on the above literature review, the main features of social innovation can be identified as follows: (1) social innovation meets social needs; (2) social innovation has both social and economic motivations; (3) social innovation has different actors, including businesses, NGOs, and NPOs; (4) social innovation is innovative and sustainable; and (5) social innovation has a positive social impact and improves people's lives.

With the growing interest in social innovation, social enterprises are attracting attention as new and indispensable actors in the social innovation ecosystem. Therefore, it is important to discern and capture the characteristics common across social enterprises. Some famous foundations refer specifically to social enterprises as they relate to their own social activities. Social Enterprise UK defines social enterprises as businesses that operate to tackle social problems, improve communities, people's life chances, or the environment [9]. According to NESsT, a social enterprise is a business that is created to address or solve a critical social problem in a financially sustainable (and potentially profitable) way [10].

## **ANALYTICAL FRAMEWORK AND RESULTS**

A comparative analysis between Japan and China was generally conducted based on the following perspectives.

### **Economic Development Stage and Social Challenges**

It is known that Japan gained rapid economic growth after the World War II. Japan was the first Asian nation that was considered to be a developed country. The book of Japan as No. 1 [11] was published and well discussed in 1979. However, after the economic bubble burst in the early 1990s, Japan entered an economic stagnation which is called the lost two decades.

Although it experienced the over two decades stagnation, Japan has been evolving into a well-developed and mature society. At the same time, Japan is in the position of an "advanced" country in terms of facing more and more social challenges [12]. The most serious one is the declining birth rate and the increasing aging population. Japan's birth rate slumped to a record low in 2014 [13]. Due to the declining birth and aging population, population had started to decrease since 2006 and was 128 million in 2010, according to the census. It is estimated that by 2050 the population could be as low as 97 million - 30 million lower than now [13]. With the increase of aging population, the expenditure on health and social welfare will be a huge burden. The decrease of the number of young people will give impact on Japan's economic activities. The activity for

Japan, with its geographic location, is vulnerable to natural disasters. It is known that the Great East Japan Earthquake in March 2011 caused widespread damage to the eastern coastal regions. After the earthquake, the Japanese society made great efforts to disaster reconstruction, effective energy utilization, and community network.

The increasing aging population and financial burden, the sluggish local economy, and the Great East Japan Earthquake have prompted the government to foster innovation in the social domain to deal with a variety of pressing issues including support for working mothers, disaster reconstruction especially in the eastern coastal regions, and regional revitalization for local economies.

In case of China, since China began its rapid economic growth following the implementation of the economic reform and opening up policy of 1978, it has prioritized economic growth at any cost over the past 30 years and became the world's second-largest economic power in 2010 as a result. Over the past three decades, the Chinese people's common desire was simply to get rich. This can be mainly attributed to the traditional way of thinking, i.e., that economic growth can bring prosperity to the nation and make people pursue much better living environments. While on the one hand, three decades of fast economic growth made China more productive and some Chinese people gained in wealth, on the other hand, China is facing many serious social problems: serious environmental problems and pollution, poverty in rural areas, education inequality, food safety, lack of social trust, and so on. Given these huge social challenges, it is important to be aware that all of these unresolved problems need both technological innovation and innovation in the social domain. This is why the Chinese government, social organizations, and private sectors are actively pursuing social activities and trying to foster more social innovation.

### **Policy Changes**

In Japan, the Law on Promotion of Specified Non-profit Activities was enforced in 1998. Its purpose is to promote NPO's development including the activities of volunteers and their contributions to public welfare. Since then, the number of NPOs has been increasing and there were 50 thousand NPOs in 2014. The Law was revised in April 2012 to make changes in the certification system and the competent authorities.

With the increasing activities of social business, METI (Ministry of Economy, Trade and Industry) launched the Research Committee on Social Business in 2007 to understand the challenges of social business. After that, METI set up their Social Business Promotion Initiatives for promoting social business.

After the Great East Japan Earthquake happened on March 11, 2011, the Reconstruction Agency was established in 2012. As a principal agency of the Japanese government, its main role is to accelerate the reconstruction and revitalization.

In China, with the recent increase in charitable activities in the private sectors and participation and awareness in public affairs, many social organizations have made great progress in expanding their scale and the impact they have on society. Social innovation is a new means or innovative solution to meet social needs that traditional problem-solving providers cannot solve. Though the term "social innovation" is comparatively new in China, a large number of people including civil servants and employees of supporting organizations are aware of the importance of promoting the concept. At the same time, the number of social entrepreneurs who are making great efforts to meet social

needs through business is increasing. These activities are expected to improve China's social innovation performance. Regarding the development of civil societies<sup>23</sup>, there were about 0.54 million civil societies in China in the end of 2013, which has more than doubled over the past 11 years. These civil societies are especially active in the fields of education, poverty, and environment protection. In the civil societies, the increase of the foundations is especially obvious. In 2002, there were 1,144 foundations in China and the number was 3,549 in 2013.

At the same time, there were two important policy changes in the case of China. One is the reform as Direct Registration Application for social organizations. The reform started in some cities as a pilot reform several years ago. The purpose is to make the registration process easier. Before the reform, in order to register a social organization, it was necessary to get the approval of related supervision offices according to the social organization's identity, which usually took a long time. Now, the social organizations can directly submit their registration application to the offices of Ministry of Civil Affairs in many cities. In some comparatively developed cities in China, for example, in Guangzhou, the local government has deregulated the restriction on capital for registration. Furthermore, it is possible for social organizations to register with a private home address or an address shared with other organizations. All of these deregulations are great progress for registration. Such policy modifications make social organizations' registration easier than before and enable more people to take part in social innovation activities.

The other is about the decision on purchasing services from social organizations. In September of 2013, the State Council published a policy entitled Guidance for Purchase of Social Services. The policy emphasized that the government will purchase social services from social organizations including social enterprises especially in the fields of education, employment, social security, and health care. This policy is expected to be a catalyst for promoting more social innovation activities. For the government, it can solve the problem of lack of public resources. For social organizations, the policy will lead to increased profits, thereby confirming the business model by providing more social services for the government and people.

Since 2014, the government has been encouraging people to do business creatively and drive innovation. It is advocated by Premier Li Keqiang and well discussed as an important policy on National People's Congress in March 2015 in Beijing. The government is trying to promote more venture startups and more innovation. The policy makes an impact on both the business sector and the social sector. More people tend to take part in the social startups, which is now a new phenomenon and is expected to bring out more social innovation in China.

### **Support Scheme**

In Japan, the number of organizations which aim to provide information for donors has been increasing in recent years. The organizations including Centre for Public Resources Development, Philanthropy Bank, Charity Platform, and Japan Fundraising Association provide such services.

With the increase of NPOs in 2000s, social finance became a main trend in the private sectors. NPO Banks emerged and they provide financial support for NPOs with different visions. The establishment and the utilization of NPO banks promoted the activities of NPOs and social sectors.

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<sup>23</sup> Civil societies include social groups, foundations, and private non-enterprise entities in China.

At the meantime, there are so-called Citizens Funds that raise capital from citizens for certain social objectives.

There are also diversified organizations or programs for supporting social enterprises. ETIC (Entrepreneurial Training for Innovative Communities), established in 1993 as a student organization of Waseda University, “aims to develop and produce entrepreneur-minded leaders who resolves social problems and create new value through their own intentions and actions” [14]. Since 2001, ISL (Institute for Strategic Leadership), operated as a social enterprise, has provided strategic leadership programs for many social enterprises [15]. SIJ (Social Innovation Japan) and JSEF (Japan Social Entrepreneur Forum) conduct their activities as a hub to promote information and exchange among social enterprises. They play an important role in constructing the network.

In China, in order to start up a social enterprise and cultivate the mindset of a successful entrepreneur, specialized intermediary organizations including academic institutions, consulting firms, incubators, and venture philanthropy firms can play an effective role in providing financial and management support.

As Fan Li<sup>24</sup> pointed out, “in foreign countries, the charity has developed for hundreds of years and then the social enterprise organically came up. In China, we have everything within a few decades. We now have grassroots nonprofit organizations, social enterprises, venture philanthropy funds, and so on – all of a sudden”. In fact, the mentioned players, NPOs, social enterprises, and venture philanthropy funds are essential for the social ecosystem in China. Meanwhile, they are important parts in the support scheme for promoting social innovation.

In 2008, Department of Social Welfare and Charity Promotion was set up in Ministry of Civil Affairs. Although social innovation is still a new concept for the government, the government has been tried to respond to it and deregulated related policies.

In terms of incubation, although the scale is still small, the number of incubation organizations in China has rapidly increased. Many incubators are established to provide support for social enterprises and then for social innovation. At the same time, many NPOs and foundations pay more attention to the incubation of social enterprises and provide talent training programs for social entrepreneurs. The most famous incubation organization in China is NPI (Non-Profit Incubator), which is now a sustainable social enterprise to realize both social purposes and business sustainability. With the slogan “Engine for Social Innovation”, NPI first promoted the concept for the Social Incubator Program in Shanghai. As a social incubator, NPI has been productive, having incubated over 200 NGOs and social enterprises until now, some of which are very famous in China. Based on its extensive network with international organizations and intensive cooperation with enterprises, NPI’s role in China’s social ecosystem will be crucial and it will no doubt have a ripple effect on promoting social innovation.

At the same time, the number of foundations in China is increasing. One Foundation, China Social Entrepreneur Foundation and other companies’ foundations are famous. They commonly have good finance resources for social enterprises. Since more and more foundations are aware of the

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<sup>24</sup> Fan Li is co-founder of the Global Links Initiative.

importance for supporting social enterprises, they are trying to find out an effective way to invest and evaluate social enterprises. At the same time, venture philanthropy funds with special investment standards are crucial for social enterprises. Besides the government, the incubation organizations, and financial support from the foundations, some famous research institutes are also crucial in the support scheme.

## Characteristics

The word as regional revitalization is a hot word now in Japan. In 2014, the Abe administration published the proposed for regional revitalization in order to overcome population decline and then vitalize the local economies. In the same year, a new office for promotion of regional revitalization was established. Until now, the policy as regional activation has been promoted for stopping the population decrease, helping the local economies, and shrinking the gap between Tokyo and local areas. Although many activities have been conducted under regional activation, it is difficult to say that regional activation has made good progress. Compared with regional activation, regional revitalization with a new office for promotion is considered to be an important competitive strategy to provide significant influences on Japan. Therefore, local areas have been essential for social innovation's activities and local oriented business model for social innovation is a main trend in Japan.

At the same time, since policy changes can bring out huge impact on social activities, it seems that many Japanese social organizations tend to pay more attention to policy changes rather than organizations' scale-up.

In China's case, the most important characteristic is the emergence of social enterprise as important powers. Compared with ten years ago, the development of the social sector in China has made a great progress. The civil societies in practice are trying to apply more innovative ways to solve social problems and promote social innovation. At the same time, social enterprise, as a new concept and new idea to address social problems, is emerging in China.

Many social organizations in China, including social enterprises, have made a great progress in expanding in scale and the impact they have on society. It is notable that the social entrepreneurs who founded these organizations have diverse characteristics. Some grassroots NGOs or NPOs become famous and gain high social status due to their founders' popularity. Though there have been a number of social enterprise organizations in China, in the early years it was more common for people to start up social enterprises without any consideration of social innovation.

In some cases, they started up a business in order to solve the challenges they themselves faced, and the enterprise later developed into a social enterprise. For example, Canyou, founded in 1999 by a physical disabled founder, is a typical example<sup>25</sup>. Its main mission is to hire people with disabilities and help them be self-reliant. Because of its excellent performance in social innovation, Canyou is the first social enterprise awarded by Social Enterprise UK in China.

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<sup>25</sup> <http://www.canyouchina.com/index1.asp>

In other cases, people start up a social enterprise using their entrepreneurial skillset and working experiences. These social entrepreneurs are good at making use of resources and cooperating with the government. Free Lunch was initiated on April 2, 2011, in order to provide free lunch for children in primary schools in poor rural areas<sup>26</sup>. Its founder is a popular journalist with profound consideration for social problems. He and five hundred other journalists started Free Lunch as a charity project with their own social capital and tried to promote social innovation by utilizing new media like mini blogs. All the information about the project is available on the mini blog of Free Lunch, which guaranteed the transparency of the project and helped the project earn donors' trust. By February 2015, the number of children supported by Free Lunch had reached 129,932. Free Lunch is not only a charity project now, but also a platform to pursue and provide collaborative action with the local government and business sectors. They are trying their best to look for innovative ways to improve their social practice.

## **DISCUSSION**

This paper attempts to provide a general overview of social innovation activities in Japan and China. A review of various definitions of social innovation is first introduced. Many researchers have recently called for more attention to be given to social change and pointed out the necessity of social innovation. Social innovation is considered to be a driving force for dealing with social challenges.

Secondly, the analyses are conducted based on a comparative study of Japan and China. The comparative aspects include the economic development stage and social challenges, policy changes, support scheme, and characteristics. Since Japan and China have experienced different economic development stage, they are facing different social challenges. At the same time, Japan and China have common social issues such as the increase of aging population and social security. Japan and China are now active in promoting social innovation by facilitating supportive policies and funding. Social organizations in both countries are making great efforts to push reforms and drive collaboration between different stakeholders.

Compared with the analyses of China, the analyses of Japan in this paper are insufficient. It is expected that the analyses of social innovation in Japan including some typical cases could be conducted in the next research stage. At the same time, action of traditional enterprises, the construction of social ecosystem and social value beyond economic value should be focused.

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## Evaluation

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### **Return on Values: Towards a Model for Evaluating Alignment Between Investors and Impact Enterprises**

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#### **ABSTRACT**

In the extant social enterprise literature, there is little consensus as to what impact investing is, but that there is agreement that there is an intention to create both economic returns and social or environmental benefit. In order to better understand the motivations of investors, and barriers to their success, research was conducted using Azjen's Theory of Planned Behaviour.

From interviews conducted with five impact investors based in Australasia it was found that values alignment was key to their decision to invest. In addition, it became clear that both investment returns and perceived impact are key to their decision making process. When considering impact, investors revealed that they will make investments based on intuition where there is no quantitative impact measurement.

The above factors are considered and combined into a proposal for a new model to evaluate alignment between the investor and the impact enterprise. The model introduces the concept of 'return on values'. Return on values is the impact equivalent of 'return on investment'. It is a way for an investor to consider whether the impact created by the enterprise met, did not meet, or exceeded their expectations. It is hoped this new model will provide a way for investors and impact enterprises to evaluate fit, and structure the post-investment review of success or failure.

**KEYWORDS:** IMPACT INVESTMENT, SOCIAL ENTERPRISE, INVESTORS, INVESTMENT MOTIVATION

## Introduction

Impact investing is the process of placing capital into an enterprise with the intention to generate both financial return and social benefit (Brest & Born, 2013). In focusing on impact investment we seek to investigate what drives investors to invest, and what they consider when making each investment decision. In order to understand the investment process we have focused upon what the internal motivations of the investor might be and what barriers investors face.

Much of the extant research points to the same few obstacles to impact investing which can broadly be summarised as high transaction costs, lack of liquidity, and concerns about fiduciary duty (Addis, Bowden, & Simpson, 2014; Freireich & Fulton, 2009; Jackson & Harji, 2012; Saltuk and El Idrissi, 2015). These obstacles have led to the sector's reliance on high-net-worth individuals (HNWI) and foundations, rather than on large institutional investors, to drive growth. We suggest that this lack of engagement from institutional investors stems from a fourth, yet unacknowledged, obstacle. We, argue first that, while both institutional and individual investors understand the concept of 'return on investment', only individuals are able to calculate 'return on values' and, secondly, that impact investments rely on an alignment between the values of the impact enterprise and the values of the investor. Thus, while impact investors will consider the potential for impact and financial returns, they will also always require alignment of values. Without values alignment there is limited incentive for either party to engage with the other.

Through interviews conducted with a small group of impact investors, we sought to understand the values and beliefs that individual investors bring to the investments they make. While recognising that many of the technical obstacles to impact investing will likely remain the same, a deeper understanding of the motivations behind these investments has enabled us to construct a model that will allow investors and impact enterprises to create a closer alignment between 'return on investment' and 'return on values', and thus facilitate the investment process.

The research is relevant and urgent given the challenges the global economy faces. Barby and Gan (2014) quote one interviewee as saying "it takes 10 years to build a 10-year track record ... the societal challenges that impact investing can address are too urgent to wait this long" (p. 3). We are living in a world with pressing issues caused by inequality, concentration of capital, and environmental risk. Impact investing offers a way for the financial markets to tackle these major problems without having to 'change their spots'. Opening up impact investing to new investors will enable new capital to be unlocked and used for good. The aim of this research is to catalyse that change.

Through the application of Ajzen's Theory of Planned Behaviour (Ajzen, 1991), our research uncovers a direct link between the values of investors and the investments they made. Investors were most interested in making investments in enterprises that shared their values and could articulate an impact on the world that satisfied those values. While return on investment was a key factor for investors, they spoke more directly and passionately about the change they sought to make in the world. This change was driven by their personal values. These values form the core of our proposed model which we will present towards the end of this paper.

## IMPACT INVESTMENT

### The Impact Investing Landscape

Impact investments tend to be made in social enterprises, which are broadly defined as “the use of market-based approaches to address social issues” (Kerlin, 2010). Young and Lecy (2012) found that there is broad consensus on the idea that social enterprises combine a focus on financial and social purpose, but that little else is agreed beyond this description of the concept. Given the many different forms of social enterprise, this paper focuses on the commercial investment options available to social entrepreneurs, a process generally referred to as ‘impact investment’.

Young and Lecy (2012) identify four key goals that social enterprises may focus on: strategic profit maximisation; maximisations of members’ welfare; social mission maximisation and an explicit balance of social impact and commercial success. This research paper focuses on enterprises pursuing the first and fourth goals, given that the other two tend less commonly to attract impact investment.

Several academic commentators have argued that there is no consistent definition of impact investment and that this lack of consistency is harmful to the sector (e.g. Höchstädter & Scheck, 2014). Having a broad range of definitions may lead to a number of problems. The sector may become too broad, in which case the term becomes meaningless and loses its credibility. Alternatively, the term may become conflated with related terms such as ‘socially responsible investing’, leading to ambiguity and scepticism on the part of investors. The selection of definitions presented in Table 1 below illustrates the lack of agreement. These definitions were chosen in order to exemplify the diversity of definitions, and to highlight some common themes. Although more academic research and writing in this area might help to establish a single definition, acceptance of that definition would be reliant on its being adopted by practitioners.

**Table 1 Selection of competing impact investment definitions**

Author	Institution	Definition
Freireich & Fulton (2009)	The Monitor Institute with the support of The Rockefeller Foundation	Actively placing capital in businesses and funds that generate social and/or environmental good and at least return nominal principal to the investor
O’Donohoe & Bugg-Levine (2010)	J.P. Morgan	Investments intended to create positive impact beyond financial return
The Parthenon Group (2010)	Report commissioned by Bridges Venture & GIIN	Actively placing capital in businesses and funds that generate social and/or environmental good and a range of returns, from principal to above-market, to the investor
Grabenwarter & Liechtenstein (2011)	IESE University	Any profit-seeking investment activity that intentionally generates measurable benefits for society

Brown & Swersky, (2012)	Boston Consulting Group for Big Society Capital	The provision of finance to organisations with the explicit expectation of a social, as well as financial, return
Credit Suisse, (2012)	Credit Suisse	Investments made with the primary intention of creating a measurable social impact, with the potential for some financial upside. The investment may face some risk of financial downside, but no deliberate aim of consuming capital as with a charitable donation
Brest & Born (2013)	Stanford University and Hewlett Foundation	Actively placing capital in enterprises that generate social or environmental goods, services, or ancillary benefits such as creating good jobs, with expected financial returns ranging from the highly concessionary to above-market
World Economic Forum, (2013)	World Economic Forum	An investment approach that intentionally seeks to create both financial return and positive social or environmental impact that is actively measured
Rodin & Brandenburg, (2014)	The Rockefeller Foundation	A middle way between philanthropy and pure financial investment. A means of using capital to drive financial value and social environmental impact simultaneously.
Niggemann & Brägger (2011)	The Rockefeller Foundation	Capital that is placed outside of public equities markets and generates social and environment value in addition to financial return
Barby & Gan (2014)	Bridges Ventures	Investments made with the intention to generate measurable social and environmental impact alongside a financial return. Investments can target a range of returns from below market to market rate.
Starr (2012)	Mulago Foundation	Impact investing is the practice of putting money—loans or equity—into impact-focused organisations, while expecting less than a market rate of return.

The table above reveals a number of common themes and a number of contradictions. The key theme is recognition that the process is an act of investment, not of philanthropy. Secondly, all of the definitions recognise that there is an intention to create social or environmental benefit from the investment. While a number of academic papers recognise the lack of an agreed definition (Carmody et al., 2011; Jackson & Harji, 2012), in general, both the academic and practitioner literatures recognise these two elements of financial return and positive impact (social or environmental). Höchstädter and Scheck (2014) found that the expected level of financial return was not consistent in the literature. The above studies defined returns as ranging from below-market to market rate; others did not define it. Höchstädter and Scheck (2014) even found one definition that specified above market returns.

Some practitioners (e.g., Clark, Emerson, & Thornley, 2013) argue that the question of whether or not impact investments can balance both financial and social returns is no longer up for debate. Their research shows that high performing funds are able to deliver on the dual promise; however, a significant number of funds they excluded did not have the data in place for them to make this determination. Given that there is a certain amount of selection bias in the funds they chose to evaluate, it is not surprising that those funds that have a track record, quality data, and willingness to share are the funds most likely to be performing well.

Saltuk and El Idrissi (2015) found that almost all of their survey respondents were experiencing financial and impact returns that met or exceeded their expectations. However, there is still concern on the part of investors that impact funds with short track records will not perform to expectations, which means that in the short term, investment returns may appear low. However, over time they should mimic or exceed the returns of other investment types.

As it is a relatively recent concept, most research in the area of impact investing is in the form of practitioner contributions rather than academic research. While there is some academic literature that undertakes a critical review of the concept, much of the material has been written by those seeking to promote the concept of impact investing. For example, 7 of the 12 definitions reviewed in Table 1 were written by companies with a financial interest in the growth of the sector. One of the key pieces of research that is regularly referenced is 'Eyes on the Horizon' by Saltuk and El Idrissi (2015). This document was funded by J.P. Morgan and the Global Impact Investing Network, both of which have a vested interest in the growth of impact investing. The fact that so much literature is written by practitioners rather than academics may lead to bias in the field.

### **Aligning Expectations and Values**

There is an opportunity in the impact investing ecosystem to act as an intermediary between smaller organisations to overcome some of the identified barriers such as high transaction costs. The World Economic Forum rightly identifies that mainstream investors such as pension funds buy investment products from mainstream intermediaries such as established investment banks. This is a highly complex and regulated ecosystem that offers little opportunity for disruption.

Nevertheless, Barby and Gan (2014) suggest that the lack of a track record, while a hindrance, is not the deal breaker that many believe it to be. They propose that the solution is to 'de-risk' the investment by using foundations and other sources of philanthropic income to provide guarantees and provide first loss capital, thereby reducing the risk for other more risk-averse investors.

Within the literature there is a lack of agreement on whether growth in the impact investment sector is hampered by either the demand or supply side. That is are there insufficient investments for the capital available, or is there insufficient investment to feed the impact enterprises. Barby and Gan (2014) argue that the issue is more about aligning the risk/reward expectations of each side. They define risk as “the probability that the performance of an investment will be different than expected” (p. 4).

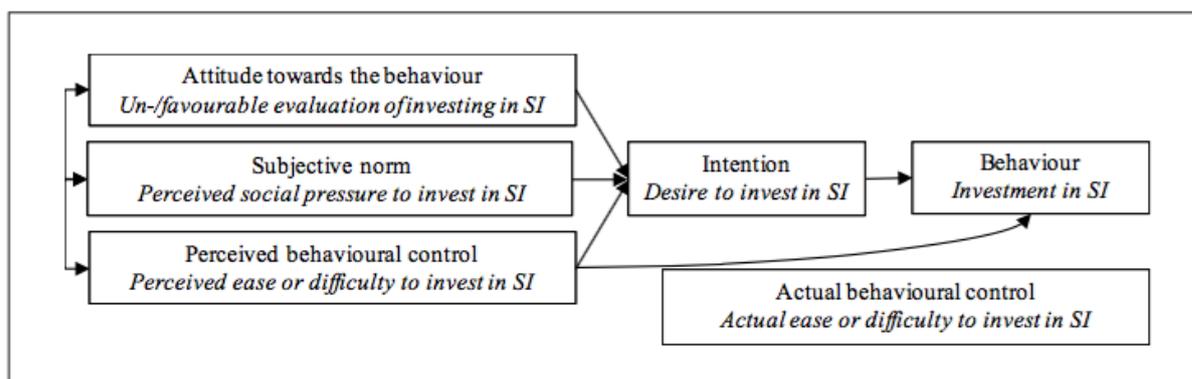
While successfully identifying the technical obstacles to the growth of impact investment, the literature fails to recognise the role that values play in the investment decision. Future growth of the sector relies on engaging a wider range of noninstitutional investors. This paper undertakes further research in order to understand how important values are to investors and what other factors they consider when making impact investments.

### The Intention Framework

The Theory of Planned Behaviour builds a connection between beliefs, intention, and voluntary behaviour, as mediated by perceived opportunities. The theory provides a structure to assess the causal links between intention and action. In this research I used the model to assess historical decisions and the intentions and beliefs that investors identify as leading to the action.

This framework is traditionally applied to health research, but has been used to assess investment decisions in prior academic literature (East, 1993). It has not been used to assess investment into social enterprises, but has been used to understand motivations that underpin sustainable investments, which are closely aligned to impact investments. Adam and Shauki (2014) found that the model was an effective way to review investor motivations and barriers, and investors’ intention to invest.

**Figure 1. Theory of planned behaviour (Paetzold & Busch, 2014)**



Ajzen (1991) argues that there are two key determinants of intention: attitude towards the behaviour, and the subjective norm. In this research I was seeking to uncover the beliefs and values the investor had prior to investment that led them to invest and what they believed the peer perception of their actions to be.

In addition, identifying the barriers that investors perceive is key to reducing potential obstacles to future investors. The research also investigated if investors share the same barriers that have

previously been reported in the literature. These barriers were allowed to emerge from the participants themselves, rather than being disclosed by the interviewer.

Some academics argue that the Theory of Planned Behaviour provides a false narrative that assumes a linear progression from belief to behaviour (Fazio, Powell, & Herr, 1983; Eiser & Van der Plight, 1988). While this is a potentially valid criticism of the theory, this study is more interested in the post rationalisation that investors undertake as this is more likely to provide insight into their ongoing engagement in impact investment and the subjective norms they perceive. A more longitudinal study with investors who had not made impact investments would be required to delve into the actual progression from intention to action.

## **RESEARCH DESIGN**

The research used semi-structured interviews in order to explore what the motivations are for investors and what barriers they have experienced. While a preliminary list of questions was utilised, the primary goal was to explore the motivations of impact investors and to uncover where those motivations have been thwarted by barriers to investment. There were a number of competing motivational possibilities including personal values, peer recognition, or financial strategy.

Five interviews were conducted with a variety of investors. Four investors were based in New Zealand, and one in Australia. One interview, with the Australian investor, was conducted via video-conference while the others were all undertaken face-to-face in meeting rooms. These are referred to as Subject one through to Subject five (S1 – S5) to preserve their anonymity and respect their confidentiality.

The questions used were open-ended and designed to allow the interview subjects to self-identify what was important to them (Appendix A). Barker, Pistrang, and Elliot (2002) suggest that open-ended exploratory questions are best suited when there is little known in a particular research area and there is a lack of clarity or progression in prior research, both of which are the case in this area.

Interview questions were reviewed in an iterative process (Bryman & Bell, 2007). After each interview the questions were reviewed to see which were effective in eliciting a useful response and which were not. Additional questions also emerged in the early interviews and were used with subsequent interviewees.

For many investors the interviews were actually a sensemaking exercise where they had to learn to articulate their position as they participated (Weick, Sutcliffe, & Obstfeld, 2005). Several investors commented that this was the first time they had been required to explain their position and process. Their explicit knowledge tended to come to them first, as they were easily able to relate practical details of deals and processes. When asked to delve more into the tacit, interviewees tended to take more time to respond. They had to reflect in order to extract the meaning from their actions. To assist investors through this process, we used Ajzen's Theory of Planned Behaviour (1991) which we discussed in the literature review.

## FINDINGS AND DISCUSSION

### Attitude towards behaviour

The investors' attitudes towards their own behaviour revealed values and beliefs that directly supported their self-image as people doing good in the world. This image was displayed through their choice of words to describe themselves and the internal rewards they felt when undertaking impact investments.

One aspect shared by several of the interviewees was a sense of "stewardship" (S3). Subject three presented himself as "merely a vehicle" for the investment rather than presenting it as an ego-driven exercise. This sense of stewardship was also evident in actions taken, with one investor actually taking on the physical stewardship of land in order to preserve its resources.

One risk associated with this sense of stewardship could be a propensity to believe that one's own beliefs are paramount to those of others. Stewardship, and the values driving it, could also be interpreted as a patriarchal interpretation of what society needs, delivered without due consideration of other viewpoints. This outcome is a very real risk given that impact investors are given a selection of projects to choose from and their decision to invest is often a very personal one linked to personal beliefs about the ability of the business team to deliver on their promises. This stewardship seemed to stem from each individual's belief in the purpose of what he or she is doing.

This strong sense of purpose is not surprising considering the area of research and selection of interviewees. Subject one mentioned that "what you're doing is a key part of who you are" and described himself as a "purpose driven entrepreneur", while Subject three said he sought out "what is meaningful in life". There was also a sense that each of the interviewees had gone through a point of transformation or growth which had led him in this purposeful direction. Subject two talked about his upbringing and how that had helped mould the values he now held, while Subject three mentioned that he had been "driven by social impact since I was young". There was no commonality in terms of the transformational time in their lives, but all but one was able to articulate when it had happened.

Purpose appeared to be key to each investor's decision to make investments that have impact. In a sense, this purpose is what defines them as different from non-impact investors. While other investors may have a sense of purpose in life, or make philanthropic donations, what defines this group as different is the way they align their values and their investments. Subject four talked explicitly about how he personally valued education, and this direction had significantly influenced his investments. Where a normal investor looks for investments that maximise financial return, impact investors seek to maximise the return for both their financial goals and personal values. Understanding this characteristic is key for organisations seeking investment. Not only must they convince the investor of the financial return, but they must also seek out investors who align with their impact goal. This factor makes finding impact investment more complex than normal. It is important that impact organisations use platforms or techniques that allow them to target investors who share their goals.

Beyond their own individual purposes, the subjects all also indicated a belief that what they were doing was good for the world, and some tied that belief to the success of the business undertaking. For example, Subject one stated: "the more good we do, the more profit we make", while Subject

two believed that impact investment was focused on “making money out of doing good”. These statements highlight the strong value that impact investors place on monetary returns. All investors signalled that financial returns were important and that their investments were not philanthropic donations. However, one investor also noted that making very early stage investments was essentially akin to making a donation and that the investment was sometimes treated this way for the sake of simplicity. It is, therefore, vital that enterprises seeking investment recognise that impact investing is still founded on strong financial principles. Alignment of values is not sufficient to secure investment; impact enterprises must also be able to deliver the monetary returns that investors are demanding.

Overall, it was clear that the investors interviewed had a positive attitude to their behaviour as determined by their motivations and the difference they were making in the world. However, they did not believe that their attitude was shared by many others.

### **Investor Peer Perception**

Three of the subjects considered themselves to be outside the norm of investors and entrepreneurs. Subject two explicitly described himself as “an outlier” and mentioned that it was a moment of understanding for him when he realised that everyone else was “just focused on the money”. Subject three also considered himself to be unusual in his investments. He commented that “people think I’m crazy”. His position indicates that he believes that impact investment still sits outside the norm. Subject four also described himself as “unusual”, but felt that a change was coming which others would soon follow. He described his role at present as being a “beacon” who could model behaviour for others, as most of his colleagues “think the old way”.

For the three investors who considered they were outside the norm, it seemed that they wore this difference as a badge of honour, proud of the fact that they were swimming against the tide towards a goal they felt was worthwhile. This position highlights the fact that impact investing is still not seen as a mainstream strategy. Should impact investing become mainstream it may affect the identity of these investors.

All the interviewees came across as having a sense that they considered themselves to be part of a change that was just beginning but around which a groundswell of support was slowly forming. They believed they were the vanguards of a new movement that would usher in a new way of investing where values were as important as rate of return.

All of the subjects exhibited a strong sense of their own values and how these influenced their investments. Themes like purpose, dreams, stewardship, and change were common through each of the discussions. Subject four noted that he made investments that were “true to [his] own beliefs”, while Subject one mentioned that he found impact investing “deeply rewarding”. Each of the investors used words and phrases that showed that impact investing was about expressing their values and how they thought the world should work.

These investors did not appear to feel there was a subjective norm that drove them to invest in impact enterprises. In fact, their beliefs seem to run contrary to the prevailing subjective norm. The investors observed that others were not behaving as they did, and that by making impact investments they were differentiating themselves from the group.

It would appear that the subjective norms portion of Azjen's model fails to predict the behaviour of impact investors. Rather than feeling that there is the social norm to make impact investments, the interviewees expressed the opposite opinion. It is the very fact that impact investing is unusual that makes it attractive to some. However, it is likely that as impact investing gains acceptance and grows, the social pressure will change to encourage investors to make investments that more heavily consider, or even fully target, impact. However, systemic changes will need to occur in order for more investors to engage in social impact investing and overcome the current barriers.

### **Perceived Behavioural Control**

All of the subjects talked of the barriers that were limiting their ability to make further investments. There were some common themes and some unique obstacles faced by investors. For example, Subject one was not currently making investments due to his capital being tied up in other projects.

Obstacles perceived by investors fall roughly into three groups: lack of viable deals; lack of supporting infrastructure; and, challenges in impact measurement. Common reasons whereby deals were not considered to be viable were: lack of investment readiness; size of deals available; and lack of team credibility or strategy.

It appeared from the interviews that the investors saw mostly technical obstacles to making further investments. The process itself, while sometimes challenging, was not hard when the underlying fundamentals were correct. For this reason, the ability to make further investments was mostly outside the control of the impact investors. There was no sense that the investors felt ill-equipped or limited in themselves when it came to making investments. Where the Theory of Planned Behaviour might usually apply to self-control, such as avoiding an addictive substance, in this case it clearly points to factors outside the investors' control. Overcoming the perceived obstacles would require an intervention from outside parties to rectify the shortcoming of the ecosystem or the individual investments. The obstacles fell into two clear categories: those associated with systemic failures, and those related to the investment itself.

#### *SystemicObstacles*

Subject two specifically identified the lack of infrastructure as a challenge in New Zealand. Better infrastructure would serve to overcome the challenges associated with deals that are not viable. This barrier was considered to be one that was outside the control of the investors and that would require sector-wide attention to overcome.

Subject four talked about how he explicitly made one investment in order to create systemic change. He believed the entity he invested in would help overcome some of the problems identified above.

There was also a sense from one investor that "deals are too small here" (S2). Small deals suffer from the obstacles identified in the literature review such as high transaction costs, high search costs, and limited return. Small deals are a problem because they provide limited opportunities for investors to co-invest, and mean there are not enough opportunities for the available capital.

#### *Deal flow*

All of the investors felt that there were not enough high quality opportunities to invest. They used a number of strategies to source deals, with common approaches including referrals from other investors, investor networks, and active searching. Some common obstacles were identified. The

first obstacle related directly to the ability of impact enterprises to absorb available capital. The quality of the team was also identified by three investors as being a common reason they did not make an investment, with poor strategy, and unrealistic assumptions also being mentioned.

In order to overcome such obstacles more work must be done to develop the number and quality of deals available to investors. This development will be the responsibility of social enterprise support agencies such as the Ākina Foundation and investor groups such as angel networks. There is no research to indicate whether or not social enterprises are of a lower or higher quality than other investments, but the limited number available means there are not enough deals available for active investors. The scarcity of viable deals suggests, however, that there is currently enough capital available to fund high quality opportunities. This position was also supported by anecdotal discussions with individuals working to grow impact investing.

#### *Impact Measurement*

Two of the interviewees identified impact measurement as a challenging area, even going so far as to label it as a “limiting force” (S3). Measuring impact can add significant complexity and cost to an impact investment and the subjects interviewed did not seem to value the output.

Subject four explained that he felt it was very hard to attribute impact and that the counterfactual was always hard to estimate. While he considered impact important, he felt it was sometimes a “leap of faith” to explore whether something would work. Because of this belief he was willing to invest on the basis of intuition in the absence of hard data. Subject five also mentioned that he tended to invest based on intuition rather than methodically examining metrics. As with Subject four, he felt that finding the right proxy for measuring impact is hard.

The investors gave the impression that as long as there was intent to create impact that intention would satisfy their criteria as impact investors. None of these individual investors viewed impact measurement as a particularly effective way to assess whether or not they would invest in an impact enterprise. This is an important finding given the large amount of time and effort that is put into developing and applying impact measurement tools. Most enterprises can articulate how they believe what they are doing is improving the world and why that change is worthwhile through a model of change. It would appear, therefore, that a compelling theory of change is enough to satisfy these investors and convince them to invest in an impact enterprise.

This position is contrary to some of the research identified in the literature review. Saltuk and El Idrissi (2015) found that 88% of survey respondents believed that measuring social/environmental impacts was very important. The reason for this discrepancy may be the difference in the subjects responding. The data generated by Saltuk and El Idrissi (2015) came primarily from institutional investors, rather than individuals who are the focus of this research. Institutional investors have much higher expectations of due diligence and reporting compared to individual investors. Individual investors are responsible to themselves only which means they do not need to justify their investments to others and, therefore, do not necessarily need the same tools to satisfy their impact needs. However, both institutional and individual investors expect a measurable financial return.

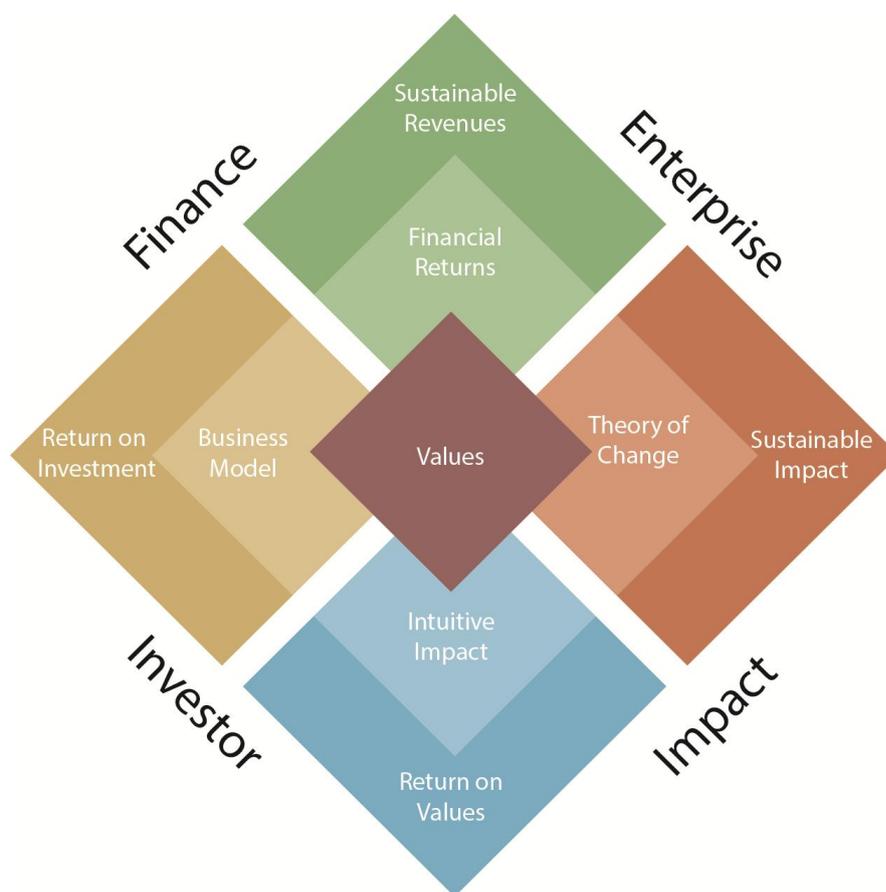
Nevertheless, not all financial transactions were treated as investments. When looking at early stage ventures some investors were willing to write off investments as donations for the sake of simplicity. Subject three has made a number of donations to enterprises in order to support their early growth. In addition to sometimes donating cash most investors were willing to donate their time in order to ensure that their investments grew. Subjects two, four, and five have all taken positions on at least

one of the boards they have invested money in. There are two ways this decision could be read. On the one hand, it may be an altruistic gesture made in order to ensure that the impact goals are met. On the other hand, it could be seen as a way for the investor to increase his influence over the investment. In reality, it is likely to be a combination of the two.

## A PROPOSED MODEL OF IMPACT ASSESSMENT

Given that Azjen’s Theory of Planned Behaviour explained only part of the investors’ behaviour, we wish to propose a new framework for the evaluation of whether or not an investor will choose to invest in an impact enterprise, and whether or not he or she considers the investment successful. The model considers the elements of impact and finance from both the investor and enterprise perspectives.

Figure 2. The proposed model of impact assessment



The model proposes that at the centre of all investor decisions lies the question of value alignment. There must be an alignment between the worldview of the investor and the impact enterprise, and the problems they both seek to solve. The interviewees referred to this alignment as investments that were “meaningful” (S3), or “stuff that is personal” (S2). Such investors are seeking a direct connection between the changes they believe need to occur and the way in which they should be brought about. Subject four referred to this style of investment as “true to [his] own beliefs”. In the absence of value alignment, all other questions become irrelevant for impact investors. This factor is central because it is of prime importance to impact investors. In contrast, mainstream investors will

look for financial alignment first, and values alignment is likely to be far down their list of priorities, if it is considered at all. It could be argued that those investors who are divesting their portfolios of harmful stocks such as tobacco are also considering value alignment to some extent, but for them it becomes an exclusionary factor, rather than a fundamental consideration. They will pursue financial return first, and exclude a stock only if it clashes with their values. Impact investors will start with their values and directly seek an investment that matches those values.

Next, an investor is likely to evaluate the probability that the stated impact and financial goals will be achieved. In order to make this evaluation the investor will consider their own intuition that impact will occur and examine the viability of the business model.

When evaluating impact, my research indicates that investors are looking for intuitive impact based upon a plausible theory of change that underpins the impact enterprise. These investors are taking a “holistic approach” (S3) to their investments and believe that they can rely on anecdotes and intuition (S5). However, in order to convince investors that their impact is real, impact enterprises must develop a compelling theory of change that explains how what they do leads to sustainable impact. Without this theory of change they have nothing credible to present to investors. However, a theory of change is only half the equation for investors.

Investors also expect impact enterprises to have a credible business model in order to deliver the expected financial returns. A strong business model lends credibility to the claims that the enterprise is able to sustain itself and grow, thus providing financial returns to the investor. As Subject five mentioned, “profit’s not a dirty word”. A credible business model will be made up of a capable team and a strong financial model that will generate financial returns which will sustain the impact enterprise. Several interviewees noted that the team was very important to them and was likely to be a key deciding factor (S1, S3, and S4). Some of their concerns related to financial modelling, including the enterprise underestimating the amount of capital required (S3), unrealistic assessments of investor return expectations (S5), and lack of commercial skills on the part of founders (S4). Where these expectations are not met, investors are unlikely to invest, as they do not believe they will receive their promised financial returns.

Financial returns are key to investor strategy because investors know that only a small proportion of their early stage investments will pay off. The investments that are successful must cover the losses of those that are not. Subject five noted that investors need to make lots of bets and have some pay off big. In order to reach this point, the impact enterprise must find and maintain a sustainable revenue model. For investors, their return on investment is what decides whether or not the investment is a financial success. However, in the adjacent square of the model lies the return on values, which must also be considered.

Impact investors cannot rely on only the financial results to evaluate their returns. They must also consider their return on values. In order for an impact investment to be truly successful it must also deliver on the promised impact. This impact is achieved through successful delivery of the theory of change, resulting in sustainable impact that can be maintained and supported through sustainable revenues. In the same way investors can evaluate money in against money out, they can also compare intended impact to actual impact. If the actual impact has aligned with their values and expectations then the investment has been a success. If it falls short, then it has not been a successful investment. However, if the investment has achieved more than was initially planned, then it can be considered to have exceeded the expected return on values.

Individual investors may weight return on values and return on investment differently. To understand the weighting we may refer to the impact investor segments framework developed by Freireich and Fulton (2009) and discussed in the literature review. Some investors may be impact first investors and others may be financial first investors. Those who are financial first will focus on profit maximising ventures and emphasise the business model, while impact first investors will be willing to compromise on their financial return in order to secure greater impact returns and will put more weight on their intuition that the enterprise will generate impact.

This model takes account of the two key concerns identified by impact investors. Both financial and impact returns are vital to these investors, without one of the two the investment fails to meet their return expectations. Financial returns are important because they enable the reuse of capital, whereas commercial failures, or philanthropic donations mean a loss of the use of the capital to the investor. Subject five noted he was not prepared to invest on a philanthropic basis, and he had an expectation that any investment would provide financial returns. On the other hand, he was also not interested in enterprises that lacked impact. He specifically lamented the lack of investment opportunities because of the scarcity of enterprises that focused on delivering impact.

When considering investment both enterprises and investors can use this model as a way to evaluate if they are truly aligned across values, financial goals, impact goals, and intended outcomes. A lack of alignment in any segment would signal that the investor and enterprise had divergent goals. Without aligned goals the investment is likely to cause conflict and fail to deliver to both parties. On the other hand, strong alignment is likely to provide a much higher chance of both parties being satisfied with the engagement. Alignment does not provide a measure of how much profitability, or how much impact will be generated from the enterprise, but it will at least ensure both sides are working towards a shared goal.

### **Future Directions**

The model we have presented here is based upon a small sample set of investors, and would benefit from outside feedback and evaluation. The results of this study reflect the type of investors who were accessible to interview. A more thorough investigation would seek to gain more geographic diversity, particularly from the USA where impact investing is strongest.

In addition to the geographic limitations, the study was also limited by the gender of the participants, as it considered the views of only male investors. Anecdotally, it appears that the sector is dominated by men, but no academic analysis appears to have been done on gender balance in impact investment. Despite several attempts to secure female impact investors, none were available to participate in this research. It would be worthwhile exploring whether or not women held different views and what other barriers, motivations, or perceptions the different genders might report.

A wider and more in-depth examination of investors' motivations might surface new factors, or provide greater support for those identified. In addition to the continued evaluation and refinement of this descriptive model, there is an opportunity to develop a statistical model to evaluate the concept of return on values. While values themselves are intangible and hard to quantify, it may be possible to create a mathematical relationship between intended impact and actual impact. This line of enquiry would require deep consideration, but could provide a fruitful model to complement the standard process of return on investment calculation.

Given that only a small number of investors are actively making impact investments, we can assume that the interview group was comprised of early adopters. Being amongst the first to undertake investments of this type may make these individuals different from the investors who will follow later. It would be worth reviewing the market in 5 years to see whether or not the types of investors had changed. New ways of raising capital like equity crowdfunding will introduce new investors with lower net worth to investing in start-up enterprises. Our research indicates that individuals are far more likely to invest in enterprises that match their own values. If the younger generations and those making investments via equity crowdfunding have more altruistic aims than their predecessors, then it is probable that they will be drawn to making impact investments. Of course, individual investors are not the only ones making impact investments; institutional investors must also be considered.

It would be worthwhile to pursue a comparative study of institutional investors using Azjen's Theory of Planned Behaviour model. It is likely that many institutional investors may perceive that barriers to their ability to invest relate to their own professional standards and expectations. These barriers might include fiduciary duty and demands for higher standards of evidence. In addition, it is probable that institutional investors are more likely to be swayed by the subjective norm and attitudes of other institutional investors. Finally, institutional investors may not have the opportunity to align their personal values with the investments they make, which would make a significant difference to the investment approach.

A more in-depth investigation into impact investing might also allow a researcher to examine what the statistical relationship between return on values and return on investment is. Many proponents of impact investment are quick to point out that compromising on returns should not be necessary, but one investor (S4) explicitly stated he would be willing to compromise 1% of returns in order to meet his social goals. If there is indeed a relationship between values and investment return, then impact enterprises may be able to exploit this relationship to lower their cost of capital.

## **CONCLUSION**

In conducting this research we set out to better understand the motivations and behaviours of impact investors. We believe our model provides a transferable set of principles that can be applied in order to evaluate and understand the process of impact investment. Having a deeper understanding of these factors has direct benefit for those working with impact investors and enterprises seeking impact investment.

These groups can now focus on the key insights that investors:

- base their investments on their personal values
- will invest on intuition in the absence of hard data
- believe they are different than other investors due to their focus on impact
- think there is a scarcity of investible opportunities.

Understanding these key factors will greatly assist impact enterprises looking for early stage funding from individuals. For example, impact enterprises are unlikely to need to invest significant amounts

of money and time proving their impact through metrics. This saving will allow them to focus on the areas, such as investment readiness, that investors identified as being important.

While the actual metrics are less important, social enterprises will still need to ensure that they can clearly articulate their theory of change and how that aligns with the values of the investor. Value alignment was seen by investors to be key to their decision making process. Sometimes these values are linked to sectors, such as education, and sometimes these values are linked to a specific future vision of the world.

While Ajzen's Theory of Planned Behaviour was useful as a tool to structure the research, it is important to note that it failed to predict the behaviour of investors based on subjective norms. As early adopters these investors are more inclined to ignore prevailing attitudes, and instead forge their own path.

In order to satisfy the demands of these investors, the barriers to perceived behaviour control must be lowered. The investors did not see any internal barriers to their ability to invest, but reported several external barriers such as deal availability and size, quality of the management team, and investment readiness. Overcoming these obstacles will require development of the New Zealand impact investment ecosystem. It is worth noting that the research indicated that most of the effort should be focused on developing viable deals, rather than increasing the number of investors or amount of capital. There is a very real risk that new investors coming to impact investment will quickly become disillusioned by the current state of affairs and leave the sector without making any investments, or will compromise and make poor investments as a result of the scarcity of quality deals. Either of these outcomes would create damage to the sector which may last a significant length of time.

When there is a good balance between available capital and available investment then the application of the proposed model will provide a way for investors and enterprises to evaluate alignment. Strong alignment across values, financial goals, and impact goals will ensure that the investment will meet the needs of both parties.

It is vital at this early stage of market development that there are success stories that can be used as case studies to grow the sector. We believe that the proposed model can be used as a way to evaluate successful partnerships and to guide new ones.

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## **Appendix A- Questions Asked**

The following questions were used during the interview process. Not all questions were asked to all interviewees.

- Tell me about why you make impact investments.
- Tell me about your first impact investment.
- Tell me about a more recent impact investment.
- What's changed for you between the two?
- Tell me about the barriers you've encountered trying to do deals?
- How do other people perceive your impact investments?
- How do you source investment opportunities?
- How important is impact measurement?

# **New Schools of Thought? Evaluating Innovation Among New Zealand Educational Social Entrepreneurs**

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## **ABSTRACT**

One of the distinguishing features of social entrepreneurship is innovation, to bring about change, by meeting unmet socio-economic needs and solving difficult social problems. But to what extent are social ventures innovative, and is what they do as, or more, effective than the alternatives, such as government agencies or regular public services? Provisional results from research of several educational social entrepreneurship ventures, which run, or have applied to run, New Zealand's new Partnership Schools Kura Hourua (PSKH), suggest sponsor organisations use innovations which are not original, or which are unlikely to produce systemic change, at their current scale. Nonetheless, sponsors have made a valuable contribution through incremental innovation, by using approaches tailored to local needs, which include 'what works'. Sponsors' PSKHs may gradually help to improve the educational and social fortunes of pupils at high risk of poor outcomes, where some regular state schools have not.

**KEYWORDS:** Social entrepreneurship, social innovation, education, charter schools, evaluation, public policy

## **INTRODUCTION**

One of the distinguishing features of social entrepreneurship is innovation, to bring about change, by meeting unmet socio-economic needs and solving difficult social problems (Choi & Majumdar, 2014, p. 368; Corner & Ho, 2010; Dacin, Dacin, & Tracey, 2011, p. 1204; Luke & Chu, 2013, p. 766; Shapiro, 2012; Shaw & Carter, 2007, p. 418). The promise of new, innovative solutions to multiple and interdependent social problems, experienced by disadvantaged families and children, such as poor health, long-term benefit dependency or persistent educational under-achievement, from outside the regular public sector, is what has attracted governments, including New Zealand's, to what social ventures can do to deliver better social services and outcomes for people.

For example, encouraging innovation is one of the driver's behind the New Zealand Government's 'social investment' approach to providing social services, whose purpose is to invest early in those who are most likely to be at risk of poor outcomes in the long-term (English, 2015a, 2015b; New Zealand Treasury, 2015). In its 2015 final report on social services, the New Zealand Productivity Commission also recommended more devolution in the provision of public services, and a role for social entrepreneurs, to help trial new ideas, share the risk of innovation, and identify which interventions work, through entrepreneurial entry and exit (New Zealand Productivity Commission, 2015, pp. 26, 33). Whether seen as a genuine alternative to public, or private, sector solutions to

improve outcomes and efficiencies in delivering social services, or a tool of centre-right governments to reduce future expenditure (for example, de Bruin & Stangl, 2013; Dey & Teasdale, 2013; Teasdale, Lyon, & Baldock, 2013; Teasdale, 2011), collaboration with private providers seems here to stay.

If governments are willing to give private providers more latitude to innovate—on the grounds that they will do things better than allegedly sluggish and risk-averse public sector organisations—it is worth asking whether, and to what extent, social ventures are innovative. Do they do things differently to the public sector, and is what they do as, or more, effective? Provisional results from research of several educational social entrepreneurship ventures (SEV), which run, or have applied to run, New Zealand's new Partnership Schools Kura Hourua (PSKH), suggest these sorts of ventures use educational and social innovations which are not novel, or which may not result in systemic change. However, the programme has provided a way for PSKH sponsor organisations to combine innovations together, to offer an education, and opportunities, to families and communities which they may not have experienced before, with some positive effects.

## **SOCIAL INNOVATION, SOCIAL ENTREPRENEURSHIP, NOVELTY & DISRUPTIVE CHANGE**

Innovation which can change the status quo is what distinguishes social entrepreneurship from other kinds of social businesses or enterprise, and is how SEVs intend to create value. But how can an innovation be distinguished from replication of an existing practice? What kinds of innovations may SEVs use, and what sorts of impact are they supposed to have? Are these the same for all kinds of SEVs? To answer these questions, how innovation, and social innovation, are defined in social innovation and entrepreneurship research is discussed. This lays the ground for a discussion of how various SEVs, working at different levels of a system, can use different kinds of innovation to effect change.

### **Innovation and social innovation in social entrepreneurship research**

Innovation, in the technical sense, occurs when individuals or groups, often entrepreneurs, identify needs and respond creatively with new or different solutions. This view has been influenced by Schumpeterian ideas. Schumpeter defined five types of innovation, associated with the recombination of existing resources: (1) introducing a new good; (2) introducing new production methods; (3) opening new markets; (4) exploiting new resources; or (5) introducing new organisational forms (Becker, Knudsen, & Swedberg, 2011, pp. 4–5). Schumpeter believed that entrepreneurship is about making innovations (Swedberg, 2006, pp. 15–17), that entrepreneurs ought to always be innovating to remain entrepreneurial, and that entrepreneurial change is disruptive, systemic change.

Definitions of innovation might focus on the development and implementation of new ideas, in the form of products, services or models. For example, the third edition of the OECD-Eurostat 'Oslo Manual', of guidelines for the collection of innovation data, defines innovation as 'the implementation of a new or significantly improved product (good or service) or process, a new marketing method, or a new organisational method in business practices, workplace organisation or external relations' (OECD & Eurostat, 2005, p. 46). Implicit in this definition is the idea that successful

innovation is demand-led diffusion (Westley, Antadze, Riddell, Robinson, & Geobey, 2014, p. 235). Novelty, disruptive change and diffusion are characteristics of innovation which distinguish it from what has come before (Phills, Deiglmeier, & Miller, 2008, p. 34).

Some definitions in social innovation and entrepreneurship research have also stressed these characteristics. According to (Spear, 2011, p. 13), the European Research Network on Social Enterprise (EMES), for example, defines social innovation as:

a new kind of entrepreneurship focused on social goals, new products or new qualities of products, new methods of organization and/or production (often involving different partners and resources), new production factors such as atypical employment and involvement in governance, mixing voluntary and paid employment, as well as new market relations such as the changing welfare mix, or new legal forms such as the social co-operative in Italy which encourages entrepreneurial and commercial dynamics and formalising multi-stakeholding.

Further, in some literature reviews, introducing new innovations is usually described as fundamental to social entrepreneurship (for example, Choi & Majumdar, 2014, p. 368; Luke & Chu, 2013, p. 766).

However, not all innovations have to be new, or disruptive, to help bring about socio-economic change. SEVs often draw upon existing ideas or models from other sources, and reconfigure them in new contexts to create something different. As Moulaert, Martinelli, Swyngedouw, & Gonzalez, (2005), for example, have pointed out, social innovations arise from collective processes, through interactions between groups and organisations, or partnerships or collaboration between the public, private or non-profit sectors and civil society. Further, as Kirzner (1997, p. 62ff) has argued, some entrepreneurs develop innovations by being alert to opportunities to address needs which current providers do not. Kirznerian social entrepreneurs may start ventures to tackle social needs which have been inadequately addressed by existing institutions, businesses, NGOs and government agencies (Zahra, Gedajlovic, Neubaum, & Shulman, 2009, p. 525). They innovate by filling gaps in systems; not necessarily by creating new innovations.

The specific kinds of innovations SEVs use could be: new or alternative low-cost products or services; alternative business or organisational models, with lower cost structures, or which involve their beneficiaries in the design or delivery of a product or service; or revenue models which combine public, philanthropic and/or commercial sources. In other words, innovations can be products—that is, the outcomes of innovation, from introducing new products, services or means of production—or processes—that is, the organisational and social processes which drive innovation, through individual creativity, organisational structures or economic factors (Phills et al., 2008, p. 34). No matter the form, the purpose of these innovations should be to help meet the otherwise unmet needs of their beneficiaries, and generate value for society.

Besides a particular product or service, SEVs might develop innovations which provide their beneficiaries with the skills or resources they need to develop as people, so that they can meaningfully participate in society—that is, to create new combinations of capabilities. Ziegler, (2010) has developed such a framework by marrying Schumpeter's theory of how entrepreneurial innovation can bring about change, including social change, with Sen's (1999) human capabilities framework. According to Schumpeter, innovation is the process by which new combinations come about (Swedberg, 2006, pp. 27–8). According to Sen, change, as seen in people freely developing

their capabilities, occurs when complementary capabilities, like developing literacy and civic participation, strengthen each other. Thus, human freedoms can develop, positive change occur and value be created when people can experience, or have access to, new combinations of capabilities (Ziegler, 2010, p. 257). These kinds of innovations are relevant to the missions of educational SEVs, whose purpose is to help children to learn and participate in the world.

### A multilevel framework of social innovation & entrepreneurship

The innovations that SEVs develop can be understood as solutions to problems. de Bruin & Stangl, (2013) have noted some social innovation frameworks combine problems and solutions. Nicholls & Murdock (2012, pp. 3–9), for example, believe SEVs develop social innovations at the micro, meso and macro levels (Figure 3), to: address market failures, through incremental change; reconfigure existing market structures, through institutional change; or alter social systems and structures, through disruptive change. They believe social innovation at all three levels involves deliberative change, with varying degrees of political activism, whose purpose is to address insufficient production, availability, and consumption of public goods which are of benefit to society, within a particular normative and cultural context.

Nicholls & Murdock's multilevel framework implies that, while SEVs might have goals for disruptive, solution-systems focused change, it is possible they may have to introduce innovations at lower levels before they can achieve them. For example, it might be necessary to reconfigure existing rules, markets or institutions, or to create new ones, before disruptive innovations can stand a chance of meeting unmet needs. As SEVs can start small, in response to local problems, and then may scale up, this means products or processes which produce meaningful change in particular situations, but are not diffused, replicated or scaled up, may be considered innovations. An innovation does not have to be justified by its magnitude, as minor or incremental innovations are as valid as large or radical ones (Phills et al., 2008, p. 38). Different SEVs may pursue various legitimate objectives, and may well operate at different levels at different stages in their life cycles.

**Figure 3: Levels of social innovation**

<i>Level</i>	<i>Objective</i>	<i>Focus</i>
<b>Incremental</b>	To address market failures (such as a lack of goods or services or negative externalities)	Goods & services
<b>Institutional</b>	To reconfigure existing market patterns and create new ones, which improve societal welfare.	Markets
<b>Disruptive</b>	To change frames of reference about markets and issues to alter social systems and structures.	Politics and/or social movements

Source: Adapted from (Nicholls & Murdock, 2012, p. 4).

## **Summary: Social innovation, social entrepreneurship, novelty & disruptive change**

SEVs do not merely engage in technical innovation. SEVs develop innovations to produce lasting social change, by developing new or different solutions to social problems that are 'more effective, efficient, sustainable, or just than existing solutions and for which the value created accrues primarily to society as a whole rather than private individuals' (Phills et al., 2008, p. 34). Social innovations can be considered new or different ideas whose purpose is to improve the overall quality of life and the number of opportunities available to people, thereby enhancing overall welfare and giving individuals the chance to enjoy greater wellbeing (Pol & Ville, 2009, pp. 881–2).

SEVs do not need to have brand new innovations to be innovative, nor do they all have to be geared towards systemic change. SEVs might bring about change by recombining existing resources to hand at the local level, working towards incremental change, or challenging or instituting new institutions or structures within existing systems. Thinking in terms of how SEVs might use various different combinations of process or outcome innovations, at different levels, shows SEVs can have impacts besides disruptive, systemic change.

## **RESEARCH DESIGN & METHODS**

The merits of the innovations used by the sample of New Zealand educational SEVs included in this research, and whether and to what extent they may have an impact, relative to the regular state school system, can be evaluated with this multilevel framework of social innovation.

PSKH sponsors were obvious subjects because the programme has provided the opportunity for social entrepreneurs to run innovative schools targeted at disadvantaged communities. Community groups, non-profit trusts or for-profit providers, for example, can apply to the government for a licence to run state schools which enjoy more freedoms than regular state schools, and which receive operational funding equivalent to decile 3 schools (New Zealand Ministry of Education, 2012). PSKHs are permitted to have a specialist focus, offer a different curriculum to the national one, have a different school day or year, or employ non-registered teachers. Applicants have to show their proposed educational model will use innovations which are likely to improve the educational performance of the approximately 20 per cent of pupils who persistently under-achieve in the New Zealand school system, according to international benchmarking test results and system data (

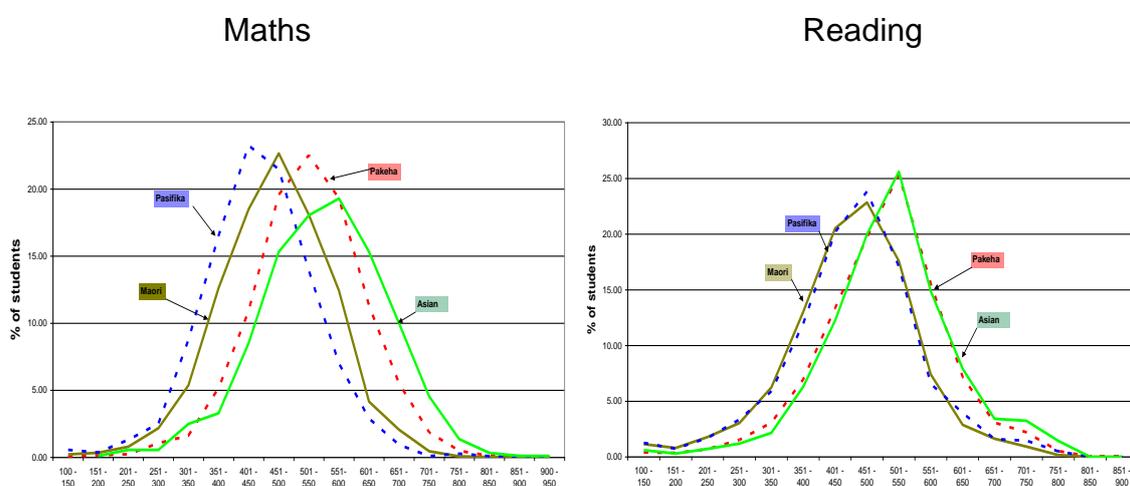
Figure 4) (Hattie, 2009a; May, Cowles, & Lamy, 2013). Among these pupils, Maori and Pasifika figure disproportionately, as well as low socio-economic status pupils. Studying a sample of PSKH sponsors provided a rare opportunity to evaluate a cohort of social entrepreneurs starting new ventures for the first time, who intended to tackle this problem.

Some provisional results are presented from the two stages of the research. The first stage, completed in 2014, was exploratory, to determine what PSKH sponsors' goals were, how they intended to measure their effectiveness, and how their schools would be different to regular state schools. The latter results are discussed, with respect to the innovations PSKH sponsors used.

The second stage was an impact study, conducted during the 2015-16 school year, to evaluate three sponsors against their intended goals, using indicators of what they had said was important, to determine whether their schools are more effective than regular state schools, for pupils at high risk

of poor outcomes. Some achievement and engagement results are discussed, as these provide the clearest picture, for the meantime, of how PSKHs compare to regular state schools.

**Figure 4: Distribution of national asTTle norm scores in maths and reading, by ethnicity**



Source: (Hattie, 2009a).

### Methods: Stage one

As an exploratory study, the first stage used qualitative research methods. This involved conducting semi-structured interviews, at the beginning of the 2014 school year, with four successful PSKH sponsors from the initial 2013 application round, and five who were not. This was immediately after sponsors received their licences, but before they opened their schools. Primary source documents, such as sponsors' applications or contracts, and official documents about the programme, such as Cabinet minutes or government briefing papers, provided complementary information about sponsors' goals and the programme's objectives (New Zealand Ministry of Education, 2013).

Once the interviews were completed, each one was summarised, and transcripts were compiled. The transcripts and primary source documents were coded and analysed with NVivo qualitative data analysis software, using conventional approaches to coding and analysing qualitative data (Bryman, 2008; Miles & Huberman, 1994; O'Neill, 2013; Patton, 2002). Emerging patterns and themes were analysed by retrieving content coded at thematic nodes, and by running word frequency queries and word frequency cluster analyses. After these analyses were completed, the coding scheme was rationalised and reorganised around the key patterns and themes that were identified. Methods and analytic memos recorded observations, reflections, analytical steps and working findings from different stages of the analysis (Kaczynski, Salmona, & Smith, 2014, p. 132).

### Methods: Stage two

Educational outcomes have been evaluated in a quantitative component of the second stage of the research. This stage involved conducting a repeated measures study to evaluate any impact which

PSKHs may have had on pupils' maths and reading scores, and school engagement, during the 2015-16 school year (Garson, 2012, pp. 18-20; Shadish, Cook, & Campbell, 2002, pp. 266-8).

Three PSKHs participated, including two from stage one, along with a 2015 new start. These schools were a middle school, teaching Years 7-10 (ages 9-12), a Maori secondary school, teaching Years 9-13 (ages 13-17), and a Pacific senior high school, teaching Year 11 pupils (ages 15-16). The middle school and senior high school were in South Auckland, while the Maori high school was in Whangarei. Each place represents an area of relatively high disadvantage (Atkinson, Salmond, & Crampton, 2014; Critchlow, 2015). To help judge the effect of attending a PSKH, data was collected from between 83 and 99 pupils who started at participating PSKHs for the first time in each school's intake Year, that is Years 7 ( $\leq 29$  pupils), 9 ( $\leq 23$  pupils) and 11 ( $\leq 50$  pupils).

To provide information about academic achievement, each school agreed to provide their pupils' standardised maths and reading scores from New Zealand's Assessment Tools for Teaching and Learning (asTTle) and Progressive Achievement Test (PAT) formative classroom diagnostic assessments (New Zealand Council for Educational Research, 2015; Te Kete Ipurangi, 2015). As each school teaches to Level 4 of the New Zealand Curriculum, it is assumed each school pitches its assessments at approximately the same ability. Since standardised test results show pupils' results on a common scale, they can be used to track pupils' progress over time. As the assessments are standardised and normed to the New Zealand Curriculum, they can be used to make comparisons between different schools and national expectations of academic progress. Because asTTle and PATs are different tests, the raw scores cannot be used together unless they are equated. This exercise will be completed after test score data from term 1, 2016 has been collected.

The New Zealand Council for Educational Research's (NZCER) 'Me & My School' (M&MS) survey was used to evaluate school engagement (New Zealand Council for Educational Research, 2009). The survey is already used in New Zealand schools, with Years 7 to 10 pupils. It measures school engagement in terms of pupils' behaviour towards, emotional responses to, and cognitive investment in school. The NZCER takes scores of how strongly pupils agree with 36 statements on a four-point scale, and the sum of the scores is converted to a scale score. High scale scores show high overall engagement. As the NZCER developed M&MS from a representative reference sample of New Zealand pupils, there is a national comparison group. Like standardised test score results, M&MS scale scores can show how PSKH pupils' engagement changes, and determine how engaged pupils are relative to national norms.

Baseline M&MS measurements were taken in term 1, a second set of measurements at the beginning of term 3, and a final set towards the end of term 4. This provided three points of data against which to observe any changes across time. Assessment data was collected according to schools' schedules. The middle school administered PATs in term 1, and term 4, 2015. The Maori secondary school administered asTTle maths tests in terms 1 and 3, 2015, and reading tests in all four terms. The Pacific senior school administered asTTle reading tests in terms 1, 3 and 4, and in all four terms in maths. Assessment and engagement results are aligned, by using data from terms 1, 3 and 4, where available.

## **RESULTS: STAGE ONE**

The results of the first study showed that sponsors intended to use a range of educational and social innovations. Each sponsor wanted to provide an education that could help at-risk pupils to achieve

as high, or higher, than the average of their peers. Some sponsors also wanted to pursue non-educational, welfare-enhancing activities that were not directly related to their educational mission, but complemented it.

### **Educational innovations**

Sponsors wanted to improve educational outcomes by using different combinations of various innovative educational approaches to how pupils are taught and different ways of organising schools or classrooms.

The most popular approach was personalised learning (cf. Bolstad, 2011, pp. 82–5). Sponsors believed personalised learning is an effective way of tailoring education to pupils' learning stages, instead of their ages, and recognising them as individuals. Sponsors also planned to use the New Zealand Curriculum and the NCEA exit qualification. They believed the flexibility of the Curriculum framework and NCEA credits would support personalised learning.

Sponsors' schools differed the most from regular state schools by how they have specialist focuses, or ethos. Ways of organising ranged from a military school, to outdoor experience-style schools. The purpose was to integrate academic learning and better support for children who struggle to engage at mainstream schools. Two Maori sponsors wanted to develop a marae-style environment that could help pupils to learn in an authentic Maori way. As well as general academic and skills training, some sponsors wanted to help Maori and Pasifika pupils to participate better in their ethnic cultures.

Four sponsors also proposed to use smaller classes, of between 10 and 15 pupils. Smaller classes may help at-risk pupils, with learning problems, or who start below their expected level, to receive attention they might not get at regular state schools (Whitehurst & Chingos, 2011; Zyngier, 2014). Sponsors also believed smaller classes would help their pupils to benefit from personalised learning. Seven sponsors planned to employ teacher aides, to complement smaller classes. Their duties included supporting registered teachers of academic subjects, tutoring pupils, or attending to pupils' emotional needs.

Finally, six sponsors planned to use a different timetable to the 9am to 3pm school day. The idea was to create time for personal or character formation, independent learning or skills training, to complement regular academic instruction. This scheduling is different to the compartmentalised direct instruction commonly used among regular state schools, especially among secondary schools, in which sponsors believed at-risk pupils, in particular Maori and Pasifika pupils, have struggled to learn.

### **Social innovations**

While sponsors' top priority was improving pupils' educational outcomes, some wanted to introduce social innovations. Three sponsors, for example, wanted to address some of the material determinants of educational under-achievement, which regular state schools cannot easily influence. This included: alleviating poverty, by helping families to access income assistance or running community gardens; improving pupils' health and wellbeing, by providing food and/or incorporating physical and pastoral care into their programmes; and addressing family dysfunction, by employing social workers.

Building on their plans to educate Maori pupils about their culture, Maori sponsors proposed to integrate such innovations as tikanga Maori ethos, or wrap-around, whanau ora-style care for families and children, into their schools. Maori sponsors believed their schools could help their communities to develop, by restoring the mana of local Maori, and directly addressing social dysfunction.

These sponsors' plans to introduce social innovations was how their ventures differed the most from regular state schooling. If successful, they might help at-risk pupils to achieve more highly, thereby reinforcing sponsors' primary educational mission. They might also attend to some long-term social problems which affect the social fabric of New Zealand.

### **Actual compared to proposed innovation**

Follow-up interviews a year later, with sponsors which started PSKHs in 2014, revealed they had mixed experiences with implementing their intended educational and social innovations. They have had to reduce the scope of innovation to concentrate on bedding-in their educational programmes. The Maori secondary school, for example, found introducing personalised learning by stage, rather than age, was difficult because of learning disparities between Years 9 & 10 pupils. This, and developing social innovations, to deal with complex socio-economic problems affecting underachievement, including poverty, have had to be set aside for now. Sponsors whose missions include social change nevertheless intend to develop social innovations over the medium to long-term.

The school of another Maori sponsor—which was one of the most socially entrepreneurial—in Whangaruru, Northland, will be closed in March 2016. The sponsor had ambitious plans to introduce a farm-based school, through which Maori pupils would develop personal inquiry skills, interwoven with te reo Maori language and Ngatiwai tikanga ethos (Education Review Office, 2014, p. 3). The sponsor breached its contract, as it could not deliver the innovative curriculum it had proposed, with the available time and resources (Deloitte, 2015; Parata, 2015). The closure of the Whangaruru school is a warning that highly innovative sponsors can over-reach, and fail. Entrepreneurial failure, in this case, can have serious consequences, not least for young people.

## **RESULTS: STAGE TWO**

Given what sponsors proposed to do, how effective have sponsors' various innovations been? Have they achieved what was expected? Results from the second stage showing changes in reading, maths and school engagement, relative to national norms, are presented, followed by some discussion about whether, and to what extent, sponsors were innovative.

### **Changes in achievement**

Progress at PAT or asTTle diagnostic tests during 2015 is a good indicator of the difference sponsors' schooling models may have made to pupils' academic achievement. Progress can be evaluated against national means, as well as in terms of growth effect sizes, measured in standard deviations. This involves dividing the difference in means from two assessments, such as at the beginning and end of a year, by the average standard deviations, or a nominal standard deviation, to create a difference score relative to the average spread of scores (Hattie, 2012, pp. 13–15). An effect size of

1.0 represents a one standard deviation (d) increase in test score achievement. In education research, this effect is associated with improving rates of learning by 50%, or adding between two and three years of learning to achievement. Pupils participating in a programme with this effect would be better than 84% of pupils who did not. Effect sizes may be categorised as small (0.2d), medium (0.4d) or large (0.6d) (Hattie, 2009b, pp. 7–9).

Because the number of pupils at each school is small, and the standard deviations of test scores varied between times, standard deviations from standardised test norms were used to calculate more conservative estimates of effect sizes (Schagen & Hodgen, 2009, pp. 4–5). To provide a further comparison, growth over a year was deflated by the expected growth for that Year level. These figures can help to illustrate whether, and to what, extent pupils' achievement has improved.

**Table 1: Summary of effect sizes for changes in maths & reading scale score results, terms 1 & 4**

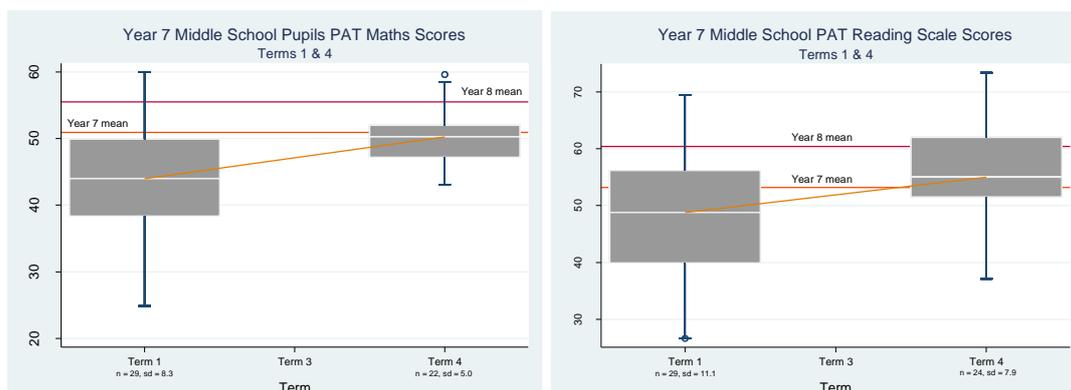
Year	Subject	Effect size (d)	Lower 95% CI	Upper 95% CI	Impact	Deflated effect size (d)	Lower 95% CI	Upper 95% CI	Impact
7	Maths	0.55*	0.13	0.96	Medium	0.17	-0.25	0.58	Small
	Reading	0.67*	0.28	1.07	Large	0.10	-0.30	0.50	Small
9	Maths	0.48^*	0.04	0.91	Medium	0.21^	-0.23	0.64	Medium
	Reading	0.22	-0.21	0.65	Medium	0.00	-0.43	0.43	Small
11	Maths	0.11	-0.34	0.56	Small	-0.31	-0.76	0.14	Medium
	Reading	1.08*	0.62	1.54	Large	0.70*	0.24	1.16	Large
Years 9 & 11	Maths	0.29^*	0.15	0.58	Medium	.	.	.	-
	Reading	0.81*	0.50	1.13	Large	.	.	.	-

^ Does not include Year 9 term 4 scores.

\* Effect size different from zero at a 95% confidence level,  $p < 0.05$ .

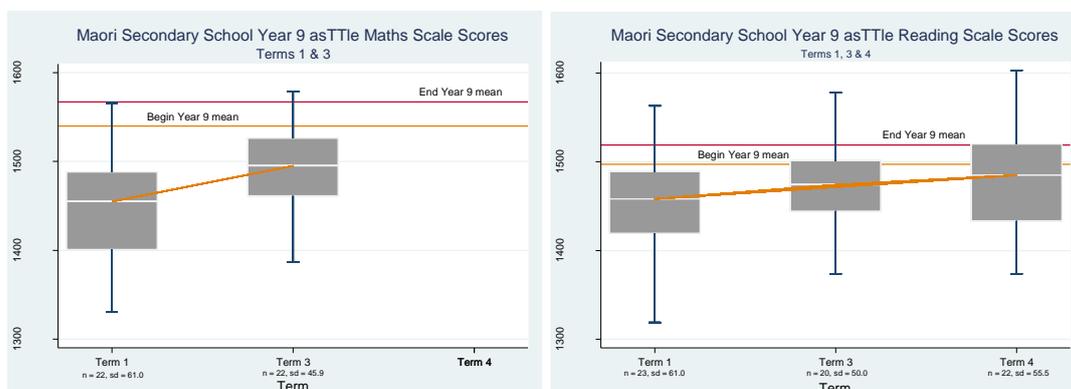
The Year 7 pupils who attended the middle school sat PAT assessments in terms 1 and 4. While they made significant large-sized gains of 0.55 standard deviations in maths between terms 1 & 4 (**Error! Reference source not found.**), this result was insignificant using the stricter deflated measure. The mean maths score in term 1 was 44 maths scale score points (**Error! Reference source not found.**). This was 7 scale score points below the national average. In term 4, the mean was 50 points, which was the same as the national mean for Year 7, but still 6 points below the Year 8 national mean, which is the relevant comparison group at the end of a year (New Zealand Council for Educational Research, 2008). In reading, pupils also made significant large-sized gains of 0.67 standard deviations between terms 1 & 4 (**Error! Reference source not found.**), but this result was also insignificant using the deflated measure. The mean score in term 1 was 47 reading scale score points (**Error! Reference source not found.**). This was also 7 scale score points below the national mean. In term 4, the mean was 56 points, which was higher than the national mean for Year 7, but still 4 points below the Year 8 national mean; although the upper quartile score was above the Year 8 mean. The middle school's pupils started below the national average, and have generally made between one and two years' of progress to reach the level of achievement they should have attained by the start of Year 7. While these middle school pupils remained in the average band of achievement (stanine 6), some had started to match the performance of regular state school pupils.

**Figure 3: Year 7 middle school, changes in maths & reading PAT scale scores, terms 1 & 4**



The Year 9 pupils who attended the Whangarei secondary school, and the Year 11 pupils who attended the Pacific senior school, sat asTTle assessments during the year. Data is used from terms 1, 3 & 4, where available. As a group, in maths, these pupils experienced 0.29 standard deviations of significant growth between terms 1 & 3. An effect size can only be calculated for this period, as the Year 9 pupils did not sit a maths test in term 4. The mean standardised maths score in term 1 was 1470 asTTle maths scale points, while in term 3 it was 1499 points. In reading, pupils made significant large-sized gains of 0.81 standard deviations. The mean standardised score for pupils at these schools in term 1 was 1457 asTTle reading scale points, in term 3 it was 1466 points, while in term 3 it was 1539 points.

**Figure 4: Year 9 Maori secondary school, changes in maths & reading asTTle scale scores, terms 1 & 4**

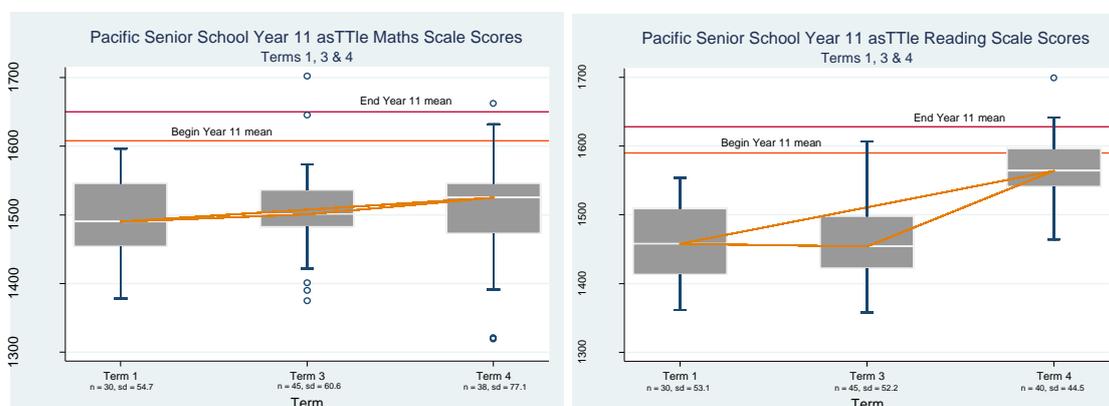


The results are more mixed when this data is broken down by school. The Year 9 Maori secondary school pupils made significant, medium-sized gains in maths of 0.48 standard deviations between terms 1 & 3 (**Error! Reference source not found.**). The term 1 mean maths scale score was 1444 points, while in term 3 it was 1491 (**Error! Reference source not found.**). In reading, pupils made small-medium, but insignificant, gains of 0.22 standard deviations between terms 1 & 4. The mean scale scores were 1454, 1476 and 1484 points in terms 1, 3 & 4, respectively. The Year 11 Pacific senior school pupils made small, insignificant gains in maths of 0.11 standard deviations during the

year (**Error! Reference source not found.**). Their mean maths scale scores were 1491, 1504 and 1502 points, in each term (**Error! Reference source not found.**). In reading, pupils made large, significant gains of 1.08 standard deviations between terms 1 & 4. Their mean scores were 1461 points in terms 1 and 3, but increased to 1569 in term 4. These pupils made significant progress in reading, late in the year, on average, but made insignificant progress at maths. When the Years 9 & 11 scores by school were deflated against expected progress, the changes were insignificant, except for Year 11 reading.

Comparing the performance of Years 9 & 11 pupils to national norms is more complicated than with PAT scores. AsTTle uses rolling means throughout the year and there are expectations of performance against the curriculum to consider, too (**Error! Reference source not found.**). The mean score for pupils who are basically proficient in maths at Level 4 of the curriculum is 1512 points, while in reading it is 1447 points. The score pupils should have achieved by the end of Level 4—the mean 'advanced' score—is 1567 points in maths and 1545 points in reading.

**Figure 5: Year 11 senior school, changes in maths & reading asTTle scale scores, terms 1 & 4**



In maths, at the beginning of Year 9, according to asTTle norms, pupils, on average, have achieved 1540 points (Curriculum Level 4P), after the second quarter they have achieved 1545 points (Level 4P), while by the end they have achieved 1567 points (Level 4A). At the beginning of Year 11, pupils, on average, have achieved 1608 points (Level 5P), while by the end they should have achieved 1650 points (Level 5A). In reading, at the beginning of Year 9, pupils, on average, have achieved 1497 points (Level 4P), while by the end they should have achieved 1519 points (Level 4A). At the beginning of Year 11, pupils, on average, have achieved 1590 points (Level 5P), while by the end they have achieved 1628 points (Level 5A).

Against any score, the Year 9 & 11 PSKH pupils started below the basic average proficiency levels in reading and mathematics for Level 4 of the curriculum, and for their Year levels (**Error! Reference source not found.**). Assuming sponsors should expect their pupils to make at least 50 asTTle scale score points' progress, or half a standard deviation's growth, during a year (roughly the amount of annual growth expected by the New Zealand Curriculum), the Year 9 pupils were, on average, about two years' worth of learning behind their peers during the year in maths. In reading, the difference was less than a year at the beginning, and had closed modestly by the end of the year. The upper quartile achieved the same as regular state school pupils. In Year level terms, the Year 9 pupils'

ability progressed from that of a typical Year 6 to 7 pupil in maths, and a Year 7 to 8 pupil in reading. The Year 11 pupils, on average, started about two and a half years behind in maths and reading.

**Table 2: Difference between expected and actual Years 9 & 11 asTTle scores, and equivalent year & curriculum levels**

	Sub- ject	Expected mean	Expected level	Actual mean score	Equivalent level	Score difference	Equivalent Year level	% Half std. dev.
<b>Year 9</b>								
<b>Term 1</b>	Maths	1540	4P	1444	3P	96	6	1.9
	Read- ing	1497	4P	1454	4B	43	7	0.9
<b>Term 2</b>	Maths	1545	4A	1491	3A	54	7	2.2
	Read- ing	1519	4A	1484	4P	35	8	0.7
<b>Year 11</b>								
<b>Term 1</b>	Maths	1608	5P	1491	3A	117	7	2.3
	Read- ing	1590	5P	1461	4B	129	8	2.6
<b>Term 2</b>	Maths	1650	5A	1502	3A	148	7	3.0
	Read- ing	1628	5A	1569	5B	59	10	1.2

Source: National asTTle norms are from (Te Kete Ipurangi, 2010).

While the gap closed to about a year in reading, with the upper quartile attaining the beginning Year 11 mean, it widened to three years in maths, as pupils did not make significant progress. In Year level terms, their maths ability stayed the same as a typical Year 7 pupil, while their reading ability improved from that of a typical Year 8 pupil to a basically proficient Year 10 pupil. These pupils have been able to make up some ground, but have generally not equalled or surpassed national levels of achievement at state schools.

### Changes in engagement

Test scores can say a lot, but never tell the full story about school effects. Changes in M&MS engagement data during 2015 show that sponsors may have helped pupils to develop, or at least sustain, positive behaviour and attitudes to school. The results show engagement scale scores for all pupils decreased by -0.43 standard deviations between terms 1 & 4, but the change was insignificant (**Error! Reference source not found.**). The mean score was 71 points in term 1, 66 points in term 3 and 65 points in term 4 (**Error! Reference source not found.**). Pupils were highly engaged at the beginning of the year, but their enthusiasm seemed to taper off. From the NZCER's experience with M&MS data, this pattern is typical at regular state schools, and does not imply PSKH pupils are less engaged than they should be (Thomas, 2015).

This can be seen from comparisons between each school's engagement scores and the pupils in the national reference sample at equivalent Year levels (**Error! Reference source not found.**). At the middle school, the Year 7 mean engagement score stayed almost constant. It was 72 points in term 1, 73 in term 3 and 72 in term 4. These scores were higher than the national mean of 61 points for the Year 7 pupils in the M&MS reference sample, and bucked the usual trend.

**Table 3: Summary of effect sizes for changes in engagement scale scores, terms 1 & 4**

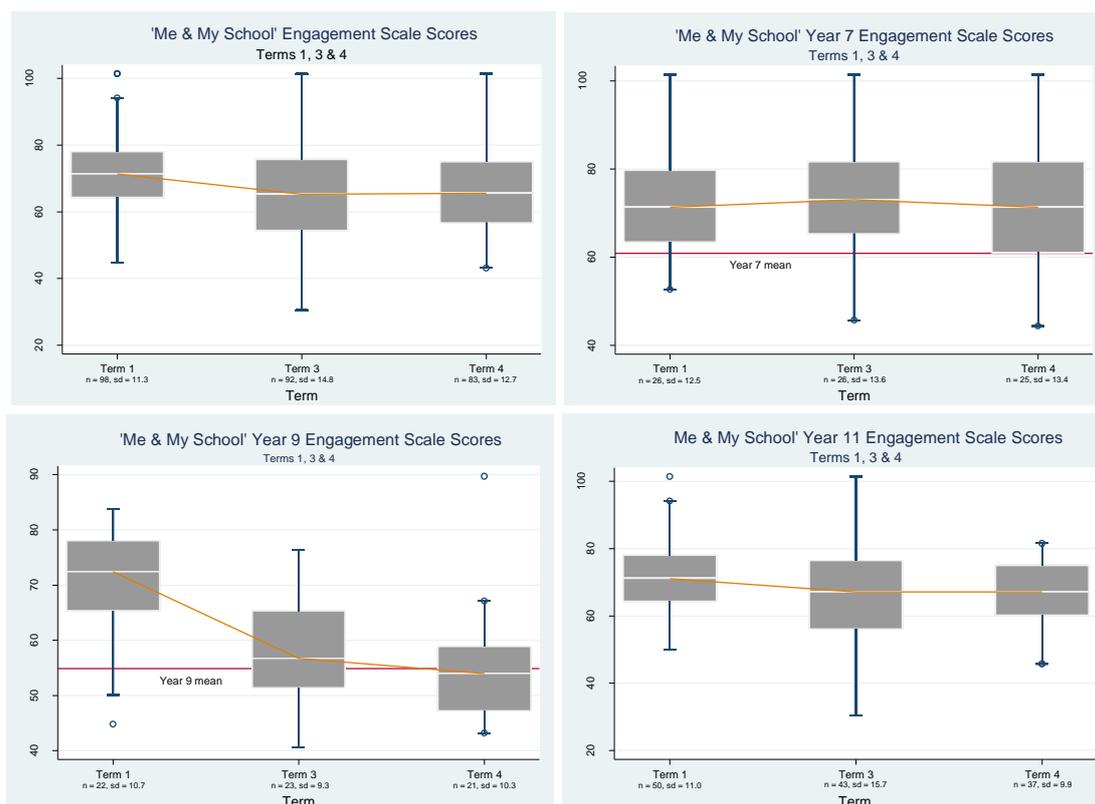
<i>Year</i>	<i>Effect size (d)</i>	<i>Lower 95% CI</i>	<i>Upper 95% CI</i>	<i>Impact</i>
All	-0.43	-0.66	-0.20	Medium
7	0.00	-0.42	0.42	Small
9	-1.17*	-1.61	-0.72	Large
11	-0.36	-0.73	0.00	Medium

\* Effect size different from zero at a 95% confidence level,  $p < 0.05$ .

By contrast, there was more variation at the two secondary schools. The Maori secondary school Year 9 pupils' scores decreased significantly, by -1.17 standard deviations. The mean scores were 69 points in term 1, 57 in term 3 and 55 in term 4. As the Year 9 national mean is 55 points, these pupils were highly engaged, but then became as engaged at school, on average, as Year 9 regular state school pupils. The lower quartile scored below the average, however. The Pacific senior school's Year 11 pupils experienced a modest, but insignificant, decline of -0.36 standard deviations in their scores. These pupils had high initial engagement levels, with a mean of 70 points, which dropped slightly to 66 points in terms 3 and 4. There is no reference sample at Year 11, so straight comparisons cannot be made. The NZCER has observed engagement levels usually drop between primary school and high school (Thomas, 2015). This can be seen in the difference between the Year 7, and Year 9 and 11 pupils' scores, in **Error! Reference source not found.** It is encouraging, then, that the senior school pupils' average scores are higher than Year 7 & 9 pupils, nationally.

According to the interpretation which NZCER provides for scale scores, it can be inferred PSKH pupils agreed they take school seriously, look forward to going to school each morning, respect teachers and cared about what teachers think of them, and believe school helps with what they do in life. They disagreed that school is boring. PSKH pupils maintained positive feelings about being at school during the year, and believed school has helped them to make progress, in and outside of school.

**Figure 6: Changes in ‘Me & My School’ engagement scale scores, terms 1 & 4**



## DISCUSSION

These results confirm that SEVs can introduce innovations which are not new products or processes, and may not have the potential to disrupt a system—at least in the short term—but are nonetheless valuable.

### How innovative are PSKH sponsors?

The educational innovations which PSKH sponsors have used do not represent new approaches to teaching, learning or school organisation. Personalised learning, smaller classes or specialist schools, for example, are already used in the New Zealand school system. Neither are sponsors' social innovations, such as wrap-around care, poverty alleviation or Maori tikanga programmes, fundamentally different to approaches used elsewhere by other organisations. Sponsors' conservative approaches to innovation may reflect their preference for using proven educational and social innovations. What is innovative about sponsors' schools is how they have recombined existing effective innovations to support at-risk pupils. Perhaps for the first time, pupils who have struggled at regular state schools can attend schools which value their learning needs, and provide an environment which engages and supports them. How some sponsors wish to help pupils to develop broader capabilities, besides acquiring knowledge and skills—to help bring about longer term social change—is another distinguishing innovation.

## **Educational impacts**

As all of the PSKHs in this research are all still within their first two years of operations, it is difficult to say whether they are more effective than regular state schools. The school engagement data is encouraging. It shows, despite a modest insignificant decline, on average, PSKH pupils were engaged at school during the year, and were as, or more, engaged than regular state school pupils; even at the end of the year. This is important, as the term 3 or 4 scores are a better indicator of actual engagement, as pupils tend to be more optimistic at the start of the year (Thomas, 2015). It is unknown how disengaged these pupils were, before starting at a PSKH. Nevertheless, keeping at-risk pupils engaged at school is a major achievement alone, given that this was one of sponsors' priorities, and one of the Government's key objectives. To capitalise on these engagement levels, sponsors will need to ensure their schooling models continue to challenge pupils in their learning (cf. Hattie, 2003, p. 15).

Maths and reading results show growth has occurred during the year, but at rates less than required for all pupils to achieve as much, or more, as pupils nationally. As the size of the Year groups at each school was small, the confidence intervals around the estimated effect sizes were wide, meaning the estimated effects lie within a range of values. Claims about growth could also be more precise if the means of pupils who attend decile 1-3 regular state schools were available. Comparisons against this data might show whether PSKH pupils have made as much, or more, progress relative to those of similar educational and socio-economic backgrounds. It has not been possible, yet, to obtain PAT or asTTle norms by school decile to evaluate PSKHs against this benchmark. Precise comparisons matter because PSKH pupils are at least one or two years behind, or about a curriculum level below, regular state school pupils at an equivalent stage.

Sponsors should not be judged prematurely on their performance, as they have spent this period starting brand new schools, and settling in their staff and programmes, while helping their pupils to make generally respectable rates of educational progress. The mixed results for the Pacific senior school might reflect reversion to the mean, or even a new school effect, as the impact of new pupils enrolling during the year may have suppressed overall growth rates in academic achievement during the year. Performance could be different between one and three years later (cf. Center for Research on Education Outcomes, 2009, pp. 32, 50). In short, the results from this research are likely to reflect the initial effects of new ventures, rather than mature ones.

Nevertheless, sponsors were awarded licences because they claimed their innovations could help at-risk pupils to close the gap between them and their peers. All sponsors need to show their schools can consistently help most at-risk pupils to achieve at a faster rate than at present, across subjects. Those at the secondary school level appear to have work to do. More than a year's worth of learning is required—unless different expectations are held about what is a reasonable rate of progress for at-risk pupils to make throughout their schooling.

## **Implications from social innovation & entrepreneurship theory**

With respect to the social innovation and entrepreneurship literature, it appears sponsors have used the freedoms, and finance, granted by the PSKH programme to start ventures which provide an alternative to regular state schools, have different organisational structures to regular state schools,

and are deliberate about serving the communities of at-risk pupils. Sponsors have introduced incremental, micro-level innovations which have provided different opportunities for the at-risk pupils targeted, which have had some positive effects on educational outcomes. As sponsors are generally community trusts, they have provided a different way for local communities to provide schooling for their children. Sponsors have met unmet needs within the public education system, thereby complementing the regular system, rather than fundamentally altering it.

It appears to have been hard for sponsors to introduce educational and social innovations together. This perhaps reflects where an element of risk exists, as sponsors have a duty of care. Some sponsors have responded by reducing the speed and scope of their programmes. This means developing social innovations, to help pupils and communities to develop their capabilities, and work towards social change, has taken a back seat. Sponsors whose missions include social change now plan to develop social innovations over a longer period.

By introducing PSKHs, the Government has innovated at the meso-level, through changing some of the legal and institutional structures within the New Zealand education system. It amended the Education Act 1989, by introducing a new school type, and instituted regulatory changes so that sponsors could have more operational freedoms than regular state schools, within a strict accountability regime. In time, these changes might spur reforms to school accountability in the regular system, if the Government makes regular state school reporting similar to PSKHs (New Zealand Treasury, 2014). In the absence of diffusion and replication at a policy level, the impact of the model on educational outcomes, and innovation at the system level, is likely to be limited. This is because there will be eight operational schools, sponsors' innovations have been tailored to meet particular communities' needs, and few sponsors wish to replicate or scale up their ventures, at present.

## **CONCLUSION**

These provisional results lend support to recent social innovation scaling frameworks, which propose social innovation is about solving problems, and is pursued by various SEVs at different system levels, to achieve different objectives. PSKH sponsors have recombined existing, effective educational approaches through the operational freedoms provided by the PSKH model. The most valuable contribution of PSKH sponsors, for now, may be incremental innovation, using approaches tailored to local needs, which include 'what works', to gradually help improve the educational and social outcomes of children from particular communities.

Even with positive educational impacts, the current small scale of the programme and the limited scope of innovation, means PSKHs are unlikely to have disruptive systemic effects. However, they stand a chance of helping some New Zealand pupils at high risk of poor outcomes, where some regular state schools have not.

Even if some are less innovative—and less effective in the short-term—than may be expected, the results suggest PSKH sponsors, and SEVs generally, can still create value by providing more choice, and opportunities, to disadvantaged communities. That said, to fulfil the promise of social innovation and entrepreneurship—by providing 'more effective, efficient, sustainable, or just solutions' than existing organisations—SEVs may have to work harder than regular public sector alternatives, over a period of time, to demonstrate they are as, or more, effective.

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### Social Innovation and Ethnic Entrepreneurship: The UK Experience

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#### ABSTRACT

This work investigates the socially innovative practices adopted by ethnic entrepreneurs. In doing so, we develop deeper insights into the potential role of ethnic entrepreneurship in local economic development. We also highlight how ethnic entrepreneurs adopt innovative strategies to transmit business practices, management styles, shared values, and adapt to the business needs in a highly competitive market place. The conclusion asserts fostering socio-cultural innovation and development in an increasingly globalised business environment.

**KEYWORDS:** Social innovation, ethnic entrepreneurship, place making, value creation

#### Introduction

Entrepreneurial activities by ethnic groups have been interpreted in various forms and terms in literature. These terms are often used interchangeably, and refer to the activities by individuals and groups as members of migrant or minority communities who often try hard to earn their living and make their mark in the society (see for example, Hillman 2009; Kloosterman et al 1999). Two of the most common interpretations are 'migrant (or immigrant) entrepreneurship' and 'ethnic entrepreneurship'. In the first instance, immigrant entrepreneurship is related to the survival strategies of the individuals through self-employment. This is because most of the state polices tend to discourage immigrants of limited means (especially in the early years of arrival) from participating in entrepreneurial initiatives (Jones et al. 2012). The term contains a temporal factor wherein the individuals (or groups) under consideration have migrated relatively recently (e.g. in the last few decades) and does not refer to those groups or communities that are currently in the minority but had settled in long ago (e.g. a few centuries) or are native to the place. Examples may include African-Americans and Native-Americans in the United States, Jews in Europe, Aborigines in Australia, or other native populations in general (Volery 2007). The strategies may involve engaging with other migrants or non-migrants of similar origin (Butler and Greene 1997; Rath et al 2000). In the western world these often refer to the entrepreneurs with non-Caucasian background. For example in the United States, European entrepreneurs are not necessarily described as immigrant entrepreneurs (Chaganti and Greene 2002), and vice versa.

The concept of ethnic entrepreneurship brings together two different aspects: sociocultural and socioeconomic (Kloosterman 2010). Sociocultural aspects refer to the ethnicity as a source of values, norms and beliefs that exist within a particular community. Socioeconomic aspects relate to the risk-taking behavior of individuals and groups in terms of bringing new ideas and practices through organization, management and perseverance in a competitive environment. Ethnic entrepreneurs therefore tend to be leaders, innovators and initiators. Innovation particularly plays a key role in the success and development of such enterprises (Deakins et al 1997). They further demonstrate effective networks, strategies and personal contacts as major sources of bridging and bonding social capital despite challenges in access to finance.

### **Social innovation for local development**

Social innovation is increasingly becoming a diversely defined notion to help overcome societal challenges such as “environmental degradation, climate change, declining birth rates, high levels of immigration, the rising costs of healthcare, the increasing number of elderly people, rising costs of healthcare, poverty and social exclusion, [...] etc.” (Groot and Daankbaar 2014: 17). Phills et al (2008) describe social innovation as “a novel solution to a social problem that is more effective, efficient, sustainable, or just than current solutions. The value created accrues primarily to society rather than to private individuals.” (p. 36). They further argue that social innovation is different from social entrepreneurship in that it focuses on ideas and solutions that create social and public value as well as the processes through which such value is generated. Moulaert et al (2005) offer a place-based perspective to social innovation with a view to culturally and socially innovative practices. Accordingly, social innovation primarily aims for satisfying the basic needs of the communities, improve social relations within the society, and provide socio-political empowerment the excluded groups (Moulaert et al 2013).

### **Entrepreneurship and innovation**

In traditional business entrepreneurship, the key motivation is to build a profitable company and to earn an attractive return on investment, while in social entrepreneurship the drive is to create societal and community value (Austin et al. 2006). In the UK, Social Enterprise Coalition has been promoting social entrepreneurship culture among Black, Asian and Minority Ethnic communities (Cabinet Office 2008) with a special focus on the gender divide. Despite many national governments promoting policies to support and increase the number of social enterprises, it remains a relatively excluded area for ethnic communities. From a study of third sector ethnic minority organisations in East London Sepulveda et al (2013) argue that there is very little policy support for ethnic entrepreneurs to establish and nourish social enterprises.

Another example of ethnic entrepreneurship as a source of social innovation and behavioral change comes from the case of Turkish and Vietnamese migrants in Berlin. Countering the common perceptions of survival strategies from social exclusion, these migrant entrepreneurs built their repute and recognition within the larger communities and helped with the local economic recovery as well as developing new institutional models (Hillman 2009).

Ethnic entrepreneurs have to be innovative in social, technological and managerial ways and thinking. Their business model is based on identity, culture and social life. Their scope of activities also encompasses ensuring authenticity such as branding and certification to increase consumer confidence (Jamal 2003; 2005). Ethnic enterprises now not only compete within a highly volatile

market segment, they are also increasingly being subjected to competition with larger retailers and supermarket chains that offer authentic ethnic products aimed to specific market segments at much lower prices.

## Conclusion

This paper has argued for the case of ethnic and community entrepreneurship as a source of social innovation. Ethnic entrepreneurs are social innovators in the sense that they recognize needs and opportunities in the market and endeavor to fulfill those needs through innovative actions and initiatives. As proactive risk takers, ethnic entrepreneurs are resilient and able to respond to changes in the market as well as their customers' demands. These traits help ethnic entrepreneurs to co-produce and diffuse new business models, ethics, practices, cultures, and values for the larger benefit to the society.

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# **A Preliminary Bibliographic Analysis of the Social Innovation Literature**

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## **ABSTRACT**

Despite the socio-economic importance of social innovation as a sustainable mechanism of addressing social challenges, the field lacks theory and suffers from conceptual ambiguity. Employing a bibliometric analysis, this study examined the patterns of social innovation research of 949 publications indexed in Scopus from 1966-2015. Results identified that the social innovation domain is in development, demonstrating percentage exponential growth in the volume of publications occurring in 1966-2004 (10%), 2005-2010 (22%) and 2011-2015 (68%). Nearly 55% of the research was conducted by European scholars. The field is multidisciplinary, with key knowledge clusters residing in urban studies, ecological resilience, transition management, and user innovation. The discipline is supported by a large number of journals from various disciplines due to the absence of dedicated social innovation journals. Policy implications are offered for new and existing scholars on patterns of social innovation and the direction for future research; and publishers on potential publishing avenues.

## **KEYWORDS**

Social innovation, bibliometric analysis

## **INTRODUCTION**

Social innovation (SI) is embraced as a mechanism to generate new ideas that work, and produce sustainable solutions for social issues. As a result, over the past decade academics, policy makers, business and non-profit organisations and philanthropic foundations, have shown a significant interest on SI. SI is increasingly viewed as an effective development aid in the face of entrenched poverty or issues in traditional welfare systems (Borzaga & Bodini, 2014). This trend has resulted from a paradigm shift which occurred in international innovation research (Howaldt & Kopp, 2013). Despite the substantial level of SI research in recent years, no clearly defined schools of thought

exist and only a few research programmes empirically test SI theory (Mulgan, 2013). Therefore, the field lacks conceptual clarity and theoretical foundations thereby contributing to inconsistencies, vagueness and unsubstantiated assertions.

This raises an important research question: what are the characteristics of SI research? Taking inventories of the scientific work of a developing field of study is a reflective processes of identifying new directions and challenges for the future of that particular discipline (Low & MacMillan, 1988). The objective of this preliminary study was to examine the research patterns of SI scientific publications. In undertaking this study, it is believed that an analysis of the production of scientific work provides insights into the structure of research conducted and enables the evaluation of developing research areas (Horwood & Robertson, 2010). There have been a number of reviews conducted in the SI field including some bibliometric analyses; however, to date, this study is the first to examine the SI literature from 1966. This bibliometric analysis was employed for all SI publications indexed in Scopus from the time the first SI paper appeared in the database in 1966, thus leading to a search period of 49 years from 1966 through to 2015.

What follows is an elucidation of the notion of SI. The paper then identifies the methodology addressing the study's objective along with a discussion of bibliographic approaches. This is followed by the research findings, discussion and conclusion with implications for future research.

## **SOCIAL INNOVATION**

Different understandings of SI are adopted depending on the field, the research sector and in different countries. SI may be considered as a set of innovative activities and services that are motivated by the goal of meeting social needs (Mulgan, Tucker, Ali, & Sanders, 2007). In contrast, Caulier-Grice, Davies, Patrick, and Norman (2012) propose that SI permanently changes the perceptions, behaviours and structures in resolving social challenges and hence, is a changing system. SI is viewed as a cross sector collaboration of information and resource sharing which aims to enhance the capacity of society to solve social issues and generate significant change (Adams & Hess, 2010). SI generates and implements notions about how people should organise interpersonal activities or social interactions to meet one or more common goals (Mumford, 2002). Nurturing social inclusion and well-being via social relations and empowerment process is known as SI (Moulaert, MacCallum, & Hillier, 2013). New forms of civic involvement, participation and democratisation contributing to an empowerment of disadvantaged groups or improving the quality of life in a region will be included in SI (Neumeier, 2012). While various definitions of SI exist, in this study we consider it as "a novel solution to a social problem that is more effective, efficient, sustainable, or just, than present solutions and for which the value created accrues primarily to society as a whole rather than private individuals" (Phills, Deiglmeier, & Miller, 2008, p. 36).

A thorough examination of SI definitions shows/demonstrates/reveals that SI is a practice related concept applied in diverse areas such as creativity research (Mumford, 2002), urban studies/territorial development and governance (Moulaert, MacCallum, Mehmood, & Hamdouch, 2014), entrepreneurship (Nicholls & Murdock, 2011; Swedberg, 2009), economic welfare (Pol & Ville, 2009), social policy development and public service delivery (Borzaga & Bodini, 2014; O'Byrne, Miller, Douse, Venkatesh, & Kapucu, 2014; Sinclair & Baglioni, 2014), sociological analyses (Zapf, 1991) and sustainable development (Baker & Mehmood, 2015). However, the underdeveloped nature of SI concept (Cajaiba-Santana, 2014) hinders research endeavours in conceptualising and establishing its economic (and social) underpinnings (Grimm, Fox, Baines, & Albertson, 2013). Therefore,

acknowledging that a key stimuli of modern scientific advancements is the evaluation of scientific work (Rosas, Kagan, Schouten, Slack, & Trochim, 2011), a bibliometric analysis of the SI literature is warranted to gain an overall understanding of the intellectual structure of the field.

## **METHODOLOGY**

### **Bibliometrics**

Bibliometrics, sometimes known as scientometrics, is the field of science that applies quantitative measures and indicators based on bibliographic information (Leeuwen, 2005). This quantitative tool is used to analyse the level of research activities and occurrence of certain events in the scientific literature in a particular field (Rosas et al., 2011) and provide useful information for experts seeking to evaluate scientific activity (Oliva, Taulet, & Romero, 2006). One of the basic yet, often used bibliometric indicators is the counts of publications to measure the productivity of a research field. Other bibliometric analyses include types of publication, number of publications, year of publication and country and institution of affiliation. Among the advanced bibliometric dimensions, citation analyses are performed with the belief that it provides a reliable indication of the specific interaction among researchers and research institutions (Kraus, Filser, O'Dwyer, & Shaw, 2014). Citations document not only the history of a scientific field but also enables a predication of the future developments in a field of study (Judge, Cable, Colbert, & Rynes, 2007). Citations in a publication visualise the conceptually inter-connected ideas of science (Garfield, 2001). Citing a scholarly work does not reflect the agreement or disagreement to a particular idea presented in a work, yet it offers recognition to the significance of a published statement. Co-authorship networks are often used to visualise the collaborative work among the scholars. Co-authorship networks show that authors examine a particular matter and therefore it serves as a socio-cognitive filter on the multitude of relations in the social context of discovery (Melin & Persson, 1996). These bibliometric relationships can be visualised by way of networks made of nodes and edges. A node may either be an author or a publication. The edges are the connectors of pair of such nodes. The size of each node is proportional to the total co-citation frequency of the associated reference. The distance between nodes approximately indicates the relatedness of the nodes. The smaller the distance between nodes, the higher will be the relatedness of those two (van Eck & Waltman, 2014).

Although bibliometric analysis provides useful historical information on research trends and performance (Huang & Ho, 2011), still it has few drawbacks. For instance, bibliometric analysis is based on the assumption that new scientific work is built on and cites earlier high quality seminal work and therefore, research is essentially cumulative (Kuhn, 2012). What is more, the database by which the bibliometric information is extracted will also influence the strength of analysis. The period of publication coverage and classification approaches to bibliometric information of databases place restrictions on the accessibility to comprehensive information on scientific production of a field. It is also important to note that while much of useful work can emerge without citing some previous research, in general most authors build on existing knowledge and references, thus provide a good coherence and accumulation of the historically developed knowledge in the field.

## **Data Collection and Data Analysis**

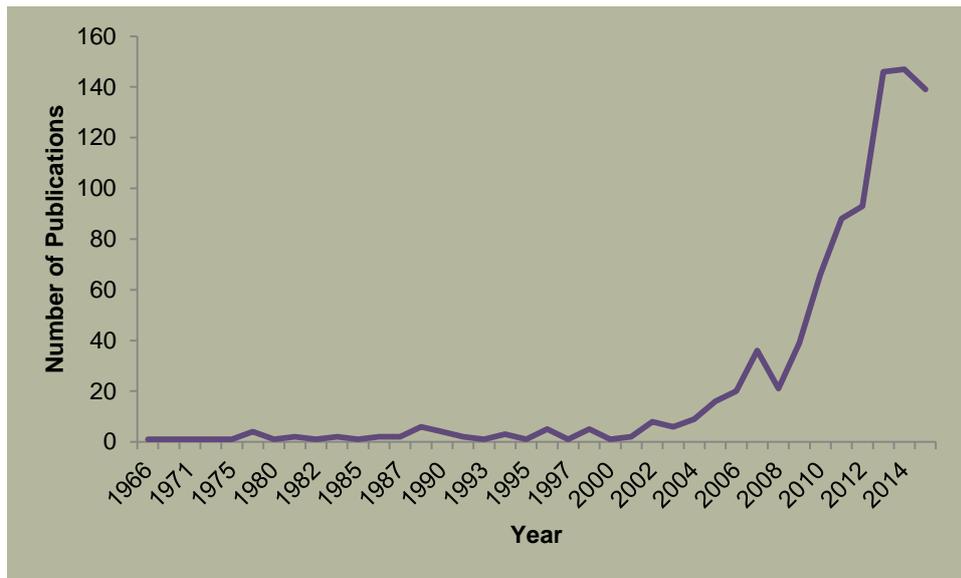
This study used the Scopus database which is one of the largest abstract and citation based databases of peer-reviewed literature in the form of journals, some books and some conference proceedings (Kumar, Shivarama, & Choukimath, 2015). A systematic literature search was executed in the Scopus database with the Boolean operation of the “social innovation\*” term in titles, abstracts and keywords of published works. Searches for similar terms such as ‘social transformation\*’ and ‘social change\*’ were conducted but excluded from this analysis on the basis that the outputs were different from references to ‘social innovation\*’. The search of all publications, indexed in Scopus from 1966 to December 2015 resulted in 1044 references. Inclusion and exclusion criteria were applied limiting the references to journal articles, conference papers, reviews, book chapters, and books. The resulting 949 references were downloaded to an EndNote file. Concurrently, the search results were directly exported and saved as an Excel spreadsheet so as to generate graphs and charts in relation to the bibliometric data. A co-authorship network was generated using VOSviewer which is a suitable tool for small group data sets and the visualisation of bibliometric networks (van Eck & Waltman, 2014). Graphs and charts were studied to identify the patterns and the structure of the SI literature under the headings of growth in publications, countries of affiliation (location of author affiliated institution), key authors in the field, types of publications and major journals in the field, author affiliated institutions and co-authorship patterns. Author profiles including their country, scope and aims of journals were also examined.

## **FINDINGS**

### **Growth in Publications**

The first SI publication found in the studied references was Gravey and Griffith (1966) titled “Studies of social innovation in scientific communications in psychology” published in *The American Psychologist*. Another 948 publications appeared over 49 years exhibiting an exponential growth occurring in 1966-2004 (10%), 2005-2010 (22%) and 2011-2015 (68%). The average annual publication output from 1966-2004 was 2.7 publications while this was 33 publications per year during 2005-2010. Remarkably, an unprecedented growth was evident during the last five years (2011-2015) with an annual average of 122 publications. Figure 1 exhibits these growth trends in publication volume from 1966-2015.

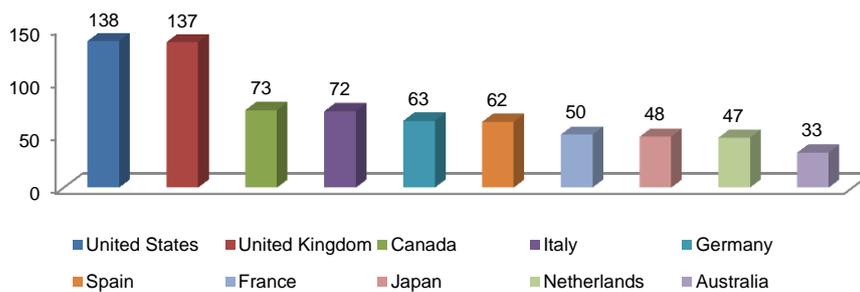
**Figure 1- Growth in Number of Publications (1966-2015)**



**Countries of Affiliation**

The distribution of publications between countries is highly skewed with a handful of countries accounting for majority of publications, and the rest distributed among 72 countries. Figure 2 below depicts the top ten author affiliated countries in terms of the number of publications. These 10 countries account for nearly 76% of the 949 publications.

**Figure 5 - Top 10 Countries of Affiliation by Number of Publications**



About 55% of the total scientific work addressing SI was produced by European authors. It is apparent that authors from the United States (US) and United Kingdom (UK) contribute to the most of SI publications. In 2003, there was a sudden growth of publications by US scholars with 10 publications, and eight of these appeared in the American Journal of Community Psychology. A considerable upward trend of number of publications by both US and UK scholars could be seen after 2010. Growth in UK publications started from 2010 with 15 publications but in contrast to the

US, there was no specific publication source. There were 22 countries of the 72 with just one publication each.

### Key Authors in the Field

The productivity measure of author output is determined in terms of number of publications made by individual authors. There were 1708 authors producing these 949 publications, but 142 authors had only two publications. Table 1 summarises the top ten authors with the highest number of publications, their country of affiliation and research focus.

**Table 1 - Top 10 Authors with Highest Publications, Country of Affiliation and Areas of Research**

Author	Number of Publications	Main Area of Research Focus	Country of affiliation
Moulaert, F.	17	Territorial development	Belgium
Westley, F.R.	11	Ecology and resilience	Canada
Harrisson, D.	8	Business management	Canada
Novy, A.	5	Local development	Austria
Moore, M.L.	5	Environmental Science	Canada
Klein, J.L.	5	Local development	Canada
Seyfang, G.	5	Grass root innovations	UK
Swyngedouw, E.	4	Political economy	UK
Pelka, B.	4	Computer science	Germany
Mumford, M.D.	4	Creativity research	United States

Figure 2 shows /reveals the US and UK dominance in publications in terms of “author affiliated countries” where it represents the collective contribution of all authors affiliated with a country/field of research, but the majority of highly contributing authors are not from US and UK (Table 1). With 17 publications, Moulaert (from Belgium) is the most prolific author, and the majority of the top ten authors are from Canada. Urban studies and ecological research are among the prominent research focuses of these highly published authors. While the number of publications measures the productivity of an author/field, the influence and impact on the intellectual development of a field is measured by citations (Cancino, Merigó, & Palacios-Marqués, 2015). Table 2 summarises the top 10 highly cited authors.

**Table 2 - Top 10 Highly Cited Authors, Research Focus and Country of Affiliation**

Author	Citations	Research Focus	Country
Moulaert	372	Territorial development; Regional innovation systems	Belgium
Mulgan	231	Practice of Social innovation	UK
Swyngedouw	151	Geography; Political-economy and ecology; Cities; Planning	UK
Mumford	122	Creativity; Leadership; Planning; Ethics	US
Smith	113	Transition Management	UK
Von Hippel	103	Innovation; User innovation	US
Folke	98	Social-ecological systems; Resilience; Adaptive governance	Sweden
Westley	98	Ecological systems	Canada
Martinelli	90	Urban governance and development; social cohesion	Italy
Gonzalez	83	Urban governance and development	UK

Table 2 shows that 70% of the highly cited authors are affiliated with European countries and their research areas predominantly address urban governance, territorial development and ecological systems, and resilience. When Table 1 and 2 are combined, it is clear that a high citation rate does not equate with the number of publications. Except for Moulaert, Mumford, Martinelli, Gonzalez and Westley, none of the authors in Table 1 are among the highly cited authors listed in Table 2. Among these five authors who are highly published in the field and also the most highly cited, Moulaert, Mumford, Martinelli, and Gonzalez, all focus on similar areas of research.

#### **Types of Publication and Major Journals in the Field**

The authors in these references placed greater value on publishing journal articles. While 63% of these 949 scholarly works appeared as articles, only 12% comprised books and book chapters (see Table 3).

**Table 3 - Types of Publications (1966-2015)**

Type of Publication	1966-2004	2005-2015	Total
Journal Article	64	543	607
Conference Paper	9	145	154
Reviews	21	43	64
Book Chapter	1	92	93
Book	-	31	31
<b>Total</b>	<b>95</b>	<b>858</b>	<b>949</b>

The 607 articles found in the Table 3 include peer-reviewed journals and also industry magazines. Table 4 summarises the top 10 sources of publications.

**Table 4 -Top 10 Journals with Highest number of Publications**

Journal	Number of Publications	Area of publication focus
Hitachi Review	24	SI business of Hitachi Technologies
Journal of Social Entrepreneurship	16	Social entrepreneurship and social policy
Futures	10	Methods and practices of future studies
Salute E Societa (Health and Society)	10	Italian sociology of health
American Journal of Community Psychology	9	Community mental and physical health
Journal of Business Ethics	9	Ethical issues of business
International Journal of Technology Management	8	Managing with technology and management of engineering, science and technology
Information Systems Management	7	Practice of information system management
Annals of Public and Cooperative Economics	7	Public, corporations and non-profit economics
Technological Forecasting and Social Change	6	Methodology and practices of technology forecasting for future studies and planning

The Hitachi Review has the highest number of SI articles while the Journal of Social Entrepreneurship is ranked second with 16 articles. Hitachi Review is the communicator of SI business of Hitachi Ltd, but it is not a peer-reviewed journal. The 24 publications in Hitachi Review include 14 articles and 10 reviews written by 27 authors of whom 21 are Japanese. Six articles of those published in the Journal of Social Entrepreneurship were from a special issue in 2012 on the role of social finance in SI. No book was published during the 38 years period 1966-2004, the first book appeared in 2005 by Regalia (2005) as a case study examination of success and failures of experimental approaches and SI for flexible employment forms in Europe. Eight of the total 31 books on SI appeared in 2013. Although authors from UK, US and Canada were the top three countries publishing articles, UK scholars contributed seven of these 31 books while authors from Australia and Belgium ranked the second and third in the order with five and four contributions respectively. The influence and impact of publication sources are examined in Table 5 which presents the 10 most highly cited publication sources and the country in which the journal is published.

**Table 5 - Top 10 Highly Cited Sources of Publications and the Country of Origin**

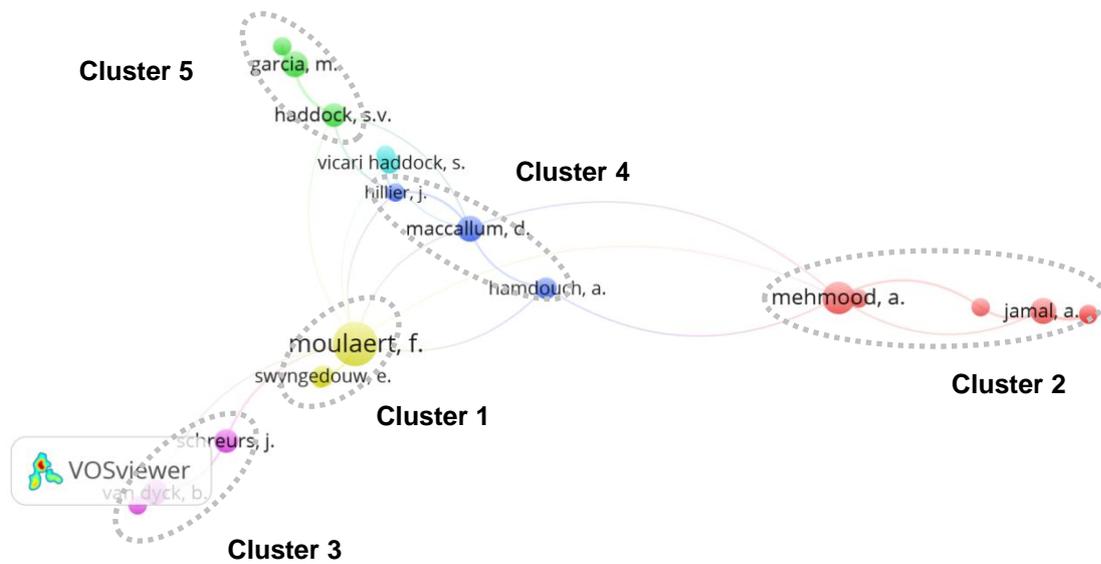
Source of Publication	Number of Citations	Country
Academy of Management Review	213	US
Urban Studies	199	UK
Research Policy	190	Netherlands
Harvard Business Review	141	US
Academy of Management Journal	132	US
Journal of Business Ethics	128	Netherlands
Administrative Science Quarterly	124	US
Energy Policy	119	UK
Ecology and Society	116	Canada
Stanford Social Innovation Review	106	US

Only the Journal of Business Ethics from Table 4 (highly published journals) is listed in the table of highly cited publication sources. As observed in highly cited authors, most highly cited journals are published in the US and UK. A large number of journals from other fields of studies are used as vehicles for SI publications but dedicated peer-reviewed journal embracing SI could not be found.

#### **Co-authorship Pattern**

Since the development of a field requires multidisciplinary engagement of authors in research work, another key bibliometric indicator is “co-authorship” patterns and visualisation of them as a network. These patterns exhibit networks of scientists in which a link between two scientists is established by their co-authorship of one or more scholarly works. This can be used as an indicator to portray the collaboration among scholars. Figure 3 exhibits the co-authorship network of authors of the 20 most highly connected authors out of 541 co-authors found in the references. Moulaert accounts for the highest number of co-authorships (14) while Mehmood, Mac Callum and Haddock are ranked next. Five relatively large co-author clusters and a small cluster can be seen in Figure 3.

**Figure 6- Co-authorship Network of Highly Published Authors**



Although 16 nodes are highlighted in the diagram, another four nodes are hidden in this figure. The close proximity between the nodes indicates that a large portion of Moulaert’s co-authored work has been published with Swyngedouw and Martinelli. Additionally, the cluster of Mac Callum (US), Hamdouch (France) and Hiller (Australia) represents a major international research collaboration which is connected to the other two research clusters. The other co-authored work has only one or two published papers.

The areas of studies of these five large clusters were tabulated (Table 6) and found that all the clusters are comprised with the authors who have a focus on “urban studies” mainly. The patterns observed in Table 1 and 2 in relation to the research area of the authors closely follow the findings exhibited in Table 6.

**Table 6 - Co-authorship Clusters and their Areas of Study**

	<b>Co-Authorship Cluster</b>	<b>Areas of Studies</b>
Cluster 1	Moulaert, Swyngedouw and Martinelli	Social cohesion, governance, cities and environment, urban/territorial development
Cluster 2	Mehmood, Baker, Sriram, Jamal, Penaloza and Laroche	Urban resilience and planning; urban governance, ethnic marketing,
Cluster 3	Schreurs, Van Dyck	Urban designing; spatial quality
Cluster 4	Hillier, Mac Callum, Hamdouch	Culture and sustainability; climate change and urban development; sustainability and territorial development and planning
Cluster 5	Garcia, De Weerdt, and Haddock Semprebou	Territorial development/housing

A closer examination of the co-authorship network indicates that Moulaert has co-authored with at least one scholar from each of the above clusters. Further, the information in Table 6 clearly confirms the prominence of “urban studies” related literature and the involvement of respective authors in the field of SI. These co-authorship clusters show that authors examine a particular matter and therefore it serves as a socio-cognitive filter on the multitude of relations in the social context of discovery (Melin & Persson, 1996).

#### **Affiliated Institutions of Authors**

Turning to the evidence of the authors’ affiliated organizations, among the 1361 affiliations, the Newcastle University (UK), the University of Leuven (Belgium) and University of Quebec (Canada) were among the most highly affiliated institutions, each with 16 authors. These universities were closely followed by the University of Waterloo (Canada) and University of Dortmund (Germany) with 15 and 12 publications respectively, while the Polytechnic University of Milano (Italy), University of Oxford (UK), and Eindhoven University of Technology (Netherlands) each had 9 author affiliations.

Considering the research patterns of Australasian context, 41 publications were found from 34 Australia and seven New Zealand authors during the period from 1966-2015. The first Australasian

publication appeared in 1997; no further publications appeared until 2006. Growth in publications by Australasian scholars occurred after 2009, and peaked in 2013 with 8 publications. Australasian scholars had published 25 articles, five books and three book chapters by 2015. A closer examination confirms that Christine Woods (3), Anne de Bruin (3), Jo Barraket (2) and Jean Hillier (2) are the key Australasian authors. Most journal articles appeared in the *Journal of Small Business*, *Journal of Futures Studies*, *Journal of Social Entrepreneurship*, *Local Environment*, and *Economic and Labour Relations*. The University of New South Wales (5), University of Auckland (4), Swinburne University (4), Massey University (3) and Australian National University (3) were the main affiliated institutions of Australasian SI scholars.

In summary, this bibliometric study finds a rapid growth in the SI literature after 2005 with most contributions from European and North American scholars. Most publications appeared in peer reviewed journals and 31 books. SI research covers many fields with a clear emphasis on topics associated with urban studies, sustainability and development.

## **DISCUSSION**

SI is an international research field, but several reasons may explain that scholars from European Universities have authored more than 55% of SI publications. First, the concept of SI originated in Europe (Godin, 2012). Second, there is a substantial involvement by the European Union and respective national governments in promoting and incorporating SI in policy agendas (Bonifacio, 2014) and funding a large number of specialized SI research institutes and associated projects (Borzaga & Bodini, 2014). Third, with European authors and institutions having gained the initial advantage in the SI field, they tend to receive further opportunities (Bonitz, Bruckner, & Scharnhorst, 1997). And finally, the high involvement of US and UK scholars from 2010 may be due to the inclusion of SI in social policy agendas as a response to the economic downturn after 2008 (Bonifacio, 2014; Borzaga & Bodini, 2014).

The findings of this study demonstrate a clear difference between the number of publications made by an author, and the highly cited authors and journals. For instance, Mulgan is a key scholar in the field of SI, yet in terms of number of publications, he is not one of the most highly cited authors. Mulgan has published a large amount of work as reports and working papers, most of which are not indexed in Scopus. The results of this study do not support Judge et al.'s (2007) assertion that the most key determinant of citations to an article is the prestige or average citation rate of the journal in which the article was published, instead, in the SI field, significant and influential SI publications relate to the value of the ideas presented rather than where they are published.

According to Serenko, Bontis, Booker, Sadeddin, and Hardie (2010), change in co-authorship patterns is an indicator of maturity in a field with a positive relationship between the average number of authors per publication and maturity of a field (Lipetz, 1999). The co-authorship network identified in this study contains only 20 highly connected co-authors. The absence of growth in co-authorship indicates a lack of specialization as co-authoring brings complementary skills and competencies to the research of a field (Rennie, 2001) enriching the scope and the overall quality of a scientific work. At the same time, it may reduce conceptual ambiguity. During the emergence of field, scholars may not be dedicated solely to SI and the field benefits from theoretical frameworks and concepts brought by authors from many fields of study to advance understanding of phenomena (Busenitz et al, 2003). Therefore, it is the responsibility of those scholars who choose to focus on SI research in the future to define, refine and extend the boundaries of current understandings so the field may mature.

The mismatch between highly published and highly cited journals, along with and the lack of strong theoretical development in a dedicated journal may have added to conceptual ambiguity in this field. The permeability of SI enables multiple applications of concepts and models from many disciplines is a strength: however the lack of clarity of the concept of SI is not helpful (Sinclair & Baglioni, 2014) as it gives rise to “concept stretching” where the pragmatic value of an idea is reduced or over-extended (Sartori, 1970). Strong theory will guide the future development of the field as some of the recent areas of innovation are hard to comprehend (Mulgan, 2013). Mulgan (2013) insists that SI is practice-led where the “wisdom of practice” is more advanced than theory. Thus, theory development is an essential requirement since this field is constrained by a lack of consistent theoretical analysis (Sinclair & Baglioni, 2014). Another important pattern found in this study is that nearly 50% of the highly cited journals are related to business and management. This suggests that there may be negative consequences if the SI field is observed with a business management lens as this field requires a broad understanding of social change processes.

According to Nicholls, Simon, and Gabriel (2015), variability and heterogeneity can provide strength for a field which focuses on social challenges. Yet being multidisciplinary, at the very emergence of a field may itself turn into a weakness as excessive fragmentation will compromise future development. The proliferation of large number of SI definitions can be attributable to this diversity in SI literature and scholars continue in a battle of defining the term according to their own specialisations. This will discourage the strong paradigm development in the field which is important to develop a sense of coherence among scholarly work.

## **CONCLUSION**

This study provides a bibliometric overview of SI literature published between 1966 and 2015 and indexed in the Scopus database. There has been a strong growth in SI literature especially from 2005, and there are many dedicated research centres especially in Europe and Canada. Urban studies is a prominent domain of SI research, but the field is multidisciplinary across research topics including ecology and resilience, user innovations and transition management. High fragmentation with a lack of theory and conceptual clarity on the concept of SI may have been triggered by publications across a large number of journals from many disciplines such as business management, ecology, social policy, and urban studies. Additionally, the absence of a dedicated journal for SI may contribute to poor theory development in this field. This study offers insights for new researchers in this field about patterns of SI research. Furthermore, the findings of this study inform existing scholars and publishers on the direction for future research work and potential publishing avenues. Future studies can incorporate advanced bibliometric indicators to advance the field of SI through content analysis to identify the emerging patterns developing in this innovative new paradigm. In addition, the development of strong theoretical frameworks will assist to establish impact and demonstrate the significance of SI as an important research field.

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