Social Innovation & Entrepreneurship Conference
Blurring Boundaries, Transcending Barriers

Massey University
Albany Campus
27 - 29 November 2013
Proceedings of the Massey University Social Innovation and Entrepreneurship Conference:
‘Blurring Boundaries, Transcending Barriers’

New Zealand Social Innovation
& Entrepreneurship Research Centre (SIERC)
Massey University, Albany Campus
27-29 November 2013

Anne De Bruin
Jeffrey Stangl
Loren M. Stangl
Editors
Preface

The second, international Massey University Social Innovation and Entrepreneurship Conference took place from 27-29 November 2013, at Massey University’s innovation campus – the Albany Campus. As with our successful inaugural 2011 conference, our 2013 our 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 Blurring Boundaries, Transcending Barriers was chosen to capture the flexibility essential for collaborative action and novel thinking necessary to grow this emerging scholarly field.

The opening keynote of the conference by successful New Zealand serial entrepreneur and social entrepreneur, Linda Jenkinson, was simultaneously the final lecture in the Massey University, Albany Campus, Engine of the new New Zealand Innovation Lecture Series. We thank Massey University for the support for this event. We appreciate the ongoing support of the Vice-Chancellor, Hon. Steve Maharey to SIERC and his willingness to open the conference and introduce the lecture. We also thank Professor Ted Zorn, Pro Vice-Chancellor of the College of Business for his support and closing comments at the lecture. Additionally, 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.

The opening ‘Welcome’ to our conference was non-standard. Children from the Kapa haka group of our neighbourhood school, Albany Primary School, performed and extended a traditional Maori welcome to everyone. The children were an absolute delight to watch and they welcomed conference participants and all those attending the final Innovation Lecture, with fervour and warmth. A very big ‘thank you’ to the children, their teachers and the school for their participation.

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 College of Business Associate Pro-VC (Research), 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.

Entertainment at our Conference Reception was provided gratis by Touch Compass, a not-for profit and New Zealand's only inclusive dance company that is supported by Creative NZ. Touch Compass is for a changing world - seamless integration and the equal contribution of disabled and non-disabled professional dancers. Touch Compass delivers social innovation on the stage, provoking debate and stimulating dialogue on important social issues, that blur boundaries and transcend barriers about what is dance and who can dance. They epitomised our conference theme. We greatly appreciated the contribution by Touch Compass to the Conference. Thank you.

This book is organised in the following manner. The first section features the Keynote presentations and provides a short introduction to each of the presenters, a synopsis of their presentation, and either a link to the video recording or a copy of their presentation slides. The second and third sections feature material from the Special Sessions and the Professional Development Workshop. Short introductions are provided for presenters along with a synopsis of their presentation and, if available, presentation slides. The final section of the Proceedings features the paper contributions. Together with my co-editors, Jeffrey Stangl and Loren Stangl, we hope you enjoy the Proceedings.

The SIERC conference is a unique experience. It provides 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. The free and open dissemination of the conference material supports the SIERC Mission and the conference theme: Blurring Boundaries, Transcending Barriers.
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, blurring boundaries and transcending barriers to address 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

Giving Back- An Entrepreneur's Search

Linda Jenkinson
Chairman and Co-Founder
LesConcierges Inc
Co-Founder
WOW Investments & WOWforAfrica
San Francisco, CA, USA
www.linda-jenkinson.com

KEY NOTE PRESENTER

Linda Jenkinson is a serial entrepreneur who has built three multi-million dollar companies and is now engaged in developing a global approach to relationship based concierge and social ventures. Linda is the Chairman and Owner of LesConcierges, the largest luxury corporate concierge company in the world. LesConcierges services more than 65 million members for American Express, Neiman Marcus, Discover, Bank of America, Barclays and Lockheed Martin.

Linda was the first New Zealand women to take a company public on the NASDAQ and received multiple awards for her entrepreneurial efforts in the USA, the UK, New Zealand and Australia. Most recently, Linda was named “Master Entrepreneur of the Year” by Ernst & Young, in New Zealand. Prior to her current entrepreneurial endeavors, she was a Partner at A.T. Kearney where she was a global leader in financial institutions strategy and strategic sourcing. Her consulting career spanned the globe (www.linda-jenkinson.com).

Linda is a Co-founder of WOW, an innovative business based approach to SME development in West Africa. She has been a five-year Chair of the Bay Area Red Cross annual “Paint the Town Red Gala” and is a life member of World Class New Zealanders, Linda is a member of “Global New Zealand Women” and was a three-year Board Member of the New Zealand Trade Board in the United States. In addition, Linda leads the KEA organization (New Zealand expatriate organization) in the Bay Area and is a Director and Secretary of the Massey University Foundation.
Linda has an MBA from The Wharton School, University of Pennsylvania and a Bachelor of Business Studies from Massey University in New Zealand.

PRESENTATION

Linda Jenkinson’s presentation was recorded and made available for viewing. Please see below for details and the hyperlink to the recording.

Presentation Details:

Title: 20131227 Giving Back - Linda Jenkinsons
Date: Wednesday, 27 November 2013
Time: 6:20 p.m. (GMT+12:00) Auckland, Wellington
Duration: 1:40:00

[Linda Jenkinson Webcast 27 November 2013](#)
**Social Investment-New systems, Good Returns?**

**Professor Rob Paton**  
Professor of Social Enterprise  
Department of Public Leadership & Social Enterprise  
Open University  
Milton Keynes, UK  
rob.paton@open.ac.uk

**KEY NOTE PRESENTER**

Rob Paton is Professor of Social Enterprise at the UK Open University where he pioneered work-based learning for managers and went on to lead major curriculum development projects. Starting with studies of worker co-operatives in the ‘70s, he has a long-standing interest in how value-based organizations can sustain both their social commitments and effective, enterprising forms of management and organization. He has published on both third sector issues and new modes of learning. He served as Secretary of the Association of Researchers on Nonprofit Organizations and Voluntary Action (ARNOVA). Rob is a member of the Advisory Council for the University Network for Social Entrepreneurship. He is Co-Chair of the Trustees of Citizens: mk, a developing alliance of community organizations and an affiliate of Citizens UK, promoters of the Living Wage. Rob is also a member of the Advisory Group for the Third Sector Research Centre and the ESRC’s Centre for Charitable Giving and Philanthropy

**PRESENTATION SYNOPSIS**

Over the last two decades research on social entrepreneurship and enterprise has explored the organizational forms and business models involved, the ethical and public service markets being created, and latterly the innovation networks and processes. Research on the provision of finance for social innovation and enterprise has been the poor relation. In recent years, however, a ‘market’ in social investment has been evolving rapidly, especially in the UK. New flows of finance and ‘new systems’ are being advanced for social value creation – often with a view to operating at scale.
These developments mean revisiting fundamental questions – not least, ‘How do we know if it’s good, really?’ Those involved are being offered a rapidly proliferating array of measurement and reporting practices. Rob puts forward a contingency framework intended to help social investors and investees to see the wood from the trees when deciding how (and how much) to measure.

PRESENTATION SLIDES

Slide 1

Social Finance: new systems – good returns?

Rob Paton,
The Open University Business School, UK

SIERC Conference, 2013, Albany, NZ
“It is a truth universally acknowledged that a social investor in possession of a good fortune must be in want of an impact analyst.”

Austen, 1813 (Attr.)
What is appropriate measurement & reporting in social finance?

• The variety of contexts and forms of social investment
• The veritable cascade of new tools and techniques
• The competing institutional logics that different actors bring to their offers, deals and trades
Full disclosure: this is a preoccupation

- Personally – as an aspiring investee
  As a member of Still Green (a mixed tenure, sustainable, second-half-of-life, Co-housing project)
- Personally – as a social investor
  A member of The Cochabamba Project Ltd

Why it matters

- How do we tell hybrids from fakes?
- As lenders and investors, how can we have *enough* confidence in our investees?
- As investees, how much financial & social return do we have to promise?
Plan

Part 1 – Setting the scene
Part 2 – Approaches to measuring social performance
Part 3 – A framework for choosing appropriate social impact reporting
Part 4 – So what and where next?

Part 1 – Setting the scene
Developments in Social Finance – some headlines

- **Industries & fields** - green technologies, housing, microfinance, agriculture, health, education...
- **Institutional development** – legal frameworks, platforms and exchanges, new financial instruments, specialist services
- **Players** – venture philanthropists, specialist funds, peer-to-peer networks, HNWIs, ethical & mission-related investors...

How much are we talking about?*

- 11% pa growth in Sustainable Investing since 1995 ($3.7 trillion in 2012)
- JP Morgan (2010): $400 billion to $1 trillion by 2020 (based on global BoP growth rates)
- Calvert Foundation (2012): $650 billion, based on survey of investment managers
- 50 Impact Investing Funds expect to raise av. >$100 million each in 2013 (GIIN survey)

* World Economic Forum (2013), *From the Margins to the Mainstream*
What are we to make of it?

- **The dream: Socializing finance**
  More & much better SRI
  Leveraging the impact of foundations
- **The nightmare: Financializing the social**
  The acceptable face of neo-liberalism
  Another bubble pumped up on inequality
- **Situation normal** – ambiguous, contradictory, uncertain, evolving...

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Literatures

- Social finance
- Social performance measurement
- Information/knowledge management

As investment decisions become more complex, either increase the capacity for information-processing or reduce the need for it.
Part 2 – Approaches to measuring social performance
Slide 16

**IMPACT ASSESSMENT**

**EVALUATION SPACE**

- Evaluation plan
- Baseline Study
- Project monitoring
- Analysis and assessment

**INTERVENTION SPACE**

- Intervention Plan
- Processes and activities
- Inputs

**Socio-economic outcomes**

**Organisational outcomes**

**Individual outcomes**

**IMPL**

**EVALUATING CONTEXT**

5–10 YEARS

Slide 17

**SOCIAL RETURN ON INVESTMENT**

**EVALUATION SPACE**

- Baseline cost data
- Results data
- Adjustment factors

**INTERVENTION SPACE**

- Intervention Plan
- Processes and activities
- Outputs

**Socio-economic context including related activities**

2–4 YEARS

**RETURN ON INVESTMENT REPORT**

- Attributable
- Unquantified benefits
- Monetary valuations
- 'Shadow' prices and cost estimates

**Community outcomes**

**Family outcomes**

**Individual outcomes**

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Slide 18

RANDOMISED CONTROLLED TRIAL

RCT Design and Planning

RCT Implementation

Monitoring and Collating Data

Analysis and Peer Review

CONCLUSION RE EFFICACY

6-15 YEARS

Development of new intervention

Defined Intervention

No Intervention

Test Case progress

Control Case progress

Results

Longer-term outcomes

INTERVENTION SPACE

ADDITIONAL (UNCONTROLLED) SOURCES OF VARIATION

Slide 19

AUDIT AND CERTIFICATION

EVALUATION SPACE

Occasional

Code of good practice

Review of conformity

Certification granted / renewed (or not)

Governance and management

Inputs

Activities and processes

Outputs

On going

INTERVENTION SPACE
Slide 20

**PARTICIPATIVE EVALUATION**

![Diagram showing participative evaluation process]

- Evaluation Plan
- Intervention Plan
- Orchestration of observation, sharing, interpretation, debate, and thematic analysis
- Outputs
- Reports
- Social Context

Slide 21

**DEVELOPMENTAL EVALUATION**

![Diagram showing developmental evaluation process]

- Provisional goals, understanding, and questions
- Information gathering and analysis
- Outputs
- Reports
- Evolving Context

Successive interventions

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Part 3 – A framework for choosing appropriate social impact reporting

Contexts - two key dimensions

- Uncertainty/innovation
- Basis-for-trust

As investment decisions become more complex, *either increase the capacity for information-processing or reduce the need for it.*
Uncertainty/innovation

Known business model in familiar setting

through to

Unproven model in unfamiliar setting

Basis-for-trust

Relationships are direct and dialogical, socially embedded

through to

Relationships are remote, impersonal, reliant on forms of ‘proxy knowledge’
The Cochabamba Project Ltd.
~ a unique ethical investment

Cochabamba Project
Background
Partners
Downloads
Our Society
Invest
News & Media
Contact Us

About The Society

The society is registered with the financial regulator FIArbis in the UK. It is an SGI in the UK.

Certified Re-forestation by otherwise landless Bolivians supported by Ar Bolivia Community Economic Development (Horticultural and Forestry extensions services)

Flow of funds

Certified Re-forestation...
by otherwise landless
Bolivians...
supported by Ar Bolivia

Community Economic
Development
(Horticultural and
Forestry extensions
services)

Ethical Investing Networks

Carbon Credits

TIMBER SALES

The Cochabamba Project Ltd
Trust relationships

- Relationship between ArBolivia and local communities
- (Stringent) Certification scheme
- Relationship between ArBolivia & Cochabamba Project
- Co-operative for Community Benefit
- Ethical investors network

Impact Reporting & Investment Standards
Slide 30

BASIS-FOR-TRUST DIMENSION

Direct – Relational/observational (socially embedded)
Indirect – Evidential/analytic (socially distant)

Visits, dialogue & good governance

UNCERTAINTY DIMENSION

Innovative, complex (knowledge low)

Familiar challenge addressed with established practices (high knowledge)

Slide 31

BASIS-FOR-TRUST DIMENSION

Participatory methods
Developmental evaluation
Impact studies, SROI and mixed methods
RCTs
Certification & Audits

Direct – Relational/observational (socially embedded)
Indirect – Evidential/analytic (socially distant)

Visits, dialogue & good governance
Part 4 – So what and where next?

Where does this take us?

- Face validity – can we relate this to debates and trends in measurement and social finance?
- Practitioner utility – does it make sense of their choices and dilemmas?
- Is it testable and does it suggest promising lines of research?
Face validity

- Obvious congruence between relationships and methods, uncertainty and methods
- Surge in technology-based reporting tools and systems – supporting both ‘big data’ and ‘soft data’

Implications for Practice

- Reporting relationships present choices for investor and investee alike – especially if you want to ‘go to scale’
- It’s OK not to have pre-determined solutions (and associated outcome measures)
- It’s OK to seek dialogue (but power asymmetries mean dialogue may not be easy)
- Pointers towards appropriate measurement tool-kits
Research

• **On measurement methods:**
  Who uses the different approaches, how, and in what contexts? Who is influenced by them? Do they capture social value? What are the costs and dysfunctions?

• **On social investment:**
  What does it mean on the ground?
  What do social investors (really) want?

Thank you!

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Risk and Return in Social Finance

Professor Alex Nicholls
Professor of Social Entrepreneurship
Said Business School
University of Oxford
Oxford, UK

KEY NOTE PRESENTER

Alex Nicholls is a Professor of Social Entrepreneurship at the Said Business School, University of Oxford. His research interests range across several key areas within social entrepreneurship and social innovation, including: the nexus of relationships between accounting, accountability and governance; public and social policy contexts; impact investing; and Fair Trade.

As the first staff member of the Skoll Centre for Social Entrepreneurship in 2004, Alex has helped the Centre develop a global profile in researching and teaching social entrepreneurship. Alex is the editor of Social Entrepreneurship: New Models of Sustainable Social Change (Oxford University Press, 2006), the first book to present a wide-ranging, internationally-focused collection of key social entrepreneurship work from leading academics, policy makers and practitioners. His 2011 book, Social Innovation: Blurring Boundaries to Reconfigure Markets (Palgrave MacMillan, 2011) is a co-edited collection, which explores solutions to many of the current ‘wicked problems’ confronting the world. The collection argues that social innovation offers potential solutions to climate change, the crisis of the welfare state, health pandemics and failures, social dislocation and inequality, and educational failure. Changing the Game: The Politics of Social Entrepreneurship is Alex’s latest book project. It is based on a comparison of political processes of social entrepreneurship at multiple socio-structural levels within Australia, Japan and India and by fields, and across different country settings.
PRESENTATION SYNOPSIS

In mainstream finance, a central issue in capital allocation strategy is calculating risk. Assessing risk accurately is a complex calculation that requires professional judgment as well as good data. The financial crisis of 2008 demonstrated that historical market data do not offer a full-proof way of calculating the future risk of assets. The emergence of a social finance sector has also challenged the conventions of risk and return analysis developed in the narrow context of financial economics. Alex’s keynote presentation will suggest that it is timely to reframe debates concerning risk and return in a more holistic context that takes account not only of the limitations of existing risk calculation approaches in capital allocation but also acknowledges the distinctiveness of social risk and return. Alex will explore the distinctiveness of risk related to expected social returns separate from calculations of risk related to expected financial return. His analysis is not only very unusual within the social finance market but may also have relevance to the calculations of future value creation made in all capital allocation decisions. An important question also posed is: What are the issues around measuring and modelling social risk and return?

‘I Am the Market’: Risk, Return and Pricing in Social Finance

Professor Alex Nicholls MBA

Professor of Social Entrepreneurship
University of Oxford
Fellow of Harris Manchester College

Alex.Nicholls@sbs.ox.ac.uk

Where I see the social investment market going is a very clear focus on high impact, that will bring the level of excitement needed from investors,” said David Hutchison chief executive of Social Finance. “If I take a model that is less risky and less exciting I probably lose them completely,” he said. “But, if I take something with very high impact and something they can relate to…you get a level of excitement which means investors take risk and are much more prepared to be flexible on the amount of return they get for that risk.”

Where I see the social investment market going is a very clear focus on high impact, that will bring the level of excitement needed from investors,” said David Hutchison chief executive of Social Finance. “If I take a model that is less risky and less exciting I probably lose them completely,” he said. “But, if I take something with very high impact and something they can relate to…you get a level of excitement which means investors take risk and are much more prepared to be flexible on the amount of return they get for that risk.”
Overview

- This research explores risk and return in social finance/impact investing in a more holistic context that acknowledges the relevance and distinctiveness of social risk and return factors
- What is social risk?
- How can it be measured and managed
- How does it relate to return and pricing?
Categories of Risk

- Probability Risk
  - Likelihood of the actual future performance matching the predicted performance
  - Calculated from historical data or prior equivalent data
- Variability Risk (\textit{beta})
  - Standard deviation of the historical average returns of a similar investment compared to the total, historical, market average
  - Taking into account the ‘risk free’, government bond, rate
- Uncertainty Risk (Knight, 1921)
  - Investment decision-making cannot incorporate all possible information because some relevant issues may be unforeseen or beyond quantification within risk calculations
  - Can only be ‘managed’ by a Bayesian approach that calculates probabilities in the context of incomplete information

What Is Risk?

- 2008 demonstrated that historical market data do not offer a full-proof way of calculating the future financial risk of assets (Crouch, 2012)
  - Complexity of systemic risk in financial markets simply made proper risk calculations impossible
  - Increasing levels of abstraction and distance from ‘lived’ value
  - Conventional tools of analysis over-estimate risk and undervalue returns in social finance investments
  - Eg (historically) micro-finance, SIBs etc
What Is Risk?

- Many important risk factors - and externalities - are not typically priced into asset valuations
- Growth of social finance and *blended value* returns (Emerson, 2003) challenge the conventions of risk and return analysis
- Social finance should offer more holistic - and accurate - risk calculations
- Significant for the future growth of robust financial markets more generally
- Cf. Wider ‘Shared Value’ agenda

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Financial Risk: Financial Return

...
Financial Return in Social Finance

Perry (2011)
Financial Return: Social Return

- Philanthropists, foundations and governments underwrite social finance products and deals using grants and sub-market return investments/MRI/PRI as ‘risk capital’
  - Typically absorbs some financial risk to leverage in other investors
    - Taking the first loss of an investment; taking a subordinate position in the risk and return tranche; being the first mover or cornerstone investor; providing matching investments; offering a guarantee for part of the principle
    - DFID Challenge Grant and Vodafone MPESA
    - Bloomberg Philanthropies and NYC Social Impact Bond
    - NSW Social Benefit Bonds: state government guarantees

Financial Return: Social Return

- Blended Value or Pareto relationship?
  - Social returns traded for financial returns?
- Impact Investing Returns (O’Donohoe et al, 2010)
  - 15-20% in developed markets, 12-15% in developing markets, 6-8% for Big Society Capital
  - Implies an inherent social discount v VC calculations
My measure of return is not what the market may deem as an appropriate financial return, but rather a defined level of financial performance integrated with measurable social and environmental value creation. I am the market and I will determine what appropriate level of return I should seek.

Emerson (2012: p. 9)
Slide 15

Investor Preferences

Slide 16

What is Social Risk?

- Likelihood that a desired set of social outcomes and impacts will be achieved as a consequence of the *deliberative* actions of a programme/organization whose objectives are to achieve these social outcomes and impacts
  - Excludes socially positive externalities of other objectives
- In social finance, social risk is the likelihood that a given allocation of capital will generate the expected social outcomes (returns) *irrespective* of any financial returns or losses
Social Risk

- Pioneering work attempted to take account of a larger set of data variables in calculating investment risk (Emerson, 2004; O'Loughlin and Thamotheram, 2006; Gore and Blood, 2011)
- More recent analyses have acknowledged social risk as a variable
  - Emerson (2012); Laing et al (2012); Hornsby and Blumberg (2013); Puttick and Ludlow (2013)
- No academic research specifically on this topic

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Social Risk

- Emerson (2012) three axes of calculation in blended value investing
  - Financial risk and return plus (social) impact
  - Intersection of these three dimensions provides 'an efficiency frontier' where financial risk and return are in balance with maximum social impact
  - However, this model considers social impact as unidimensional - a composite product of prior social risk and return calculations
  - Does not explore social risk *per se*
Social Risk

• Laing et al (2012) identified social risk as a distinct variable within a combined return framework of social finance that followed blended value logics.

• Social risk: the risk that an institution’s investments might alienate key stakeholders and/or compromise the values of the organization (p. 12) and not correlated to expected social returns.

Social Risk

• Hornsby and Blumberg’s (2013) explored relationship between ‘impact generation’ and ‘impact risk’ = ‘a measure of the certainty that an organization will deliver on its proposed impact, as detailed in the impact plan’ (p. 23). Six categories of impact risk:
  • Explicit: Is the impact plan explicit in all particulars?
  • Reasoned: Does the impact plan present a compelling and well-reasoned theory of change?
  • Integral: Is the generation of impact integral to the organisation’s business and operations?
  • Feasible: Is the impact plan feasible?
  • Evidenced: Is there evidence to support the impact plan’s approach to impact generation?
  • Evidenceable: Will the impact be evidenced by carrying out the impact plan?
Slide 21

Social Risk

- Puttick and Ludlow (2013) suggested measurement risk as a factor in social risk

Slide 22

Social Risk

- Foundation grant making
  - Low social risk: well evidenced and established programmes
  - High social risk: new and complex systemic responses and interventions

- Malaria
  - Low social risk: funding bed-nets
    - BUT major issues in implementation
    - Perceived social risk was, perhaps, wrong
  - High social risk: funding research into a cure for malaria
Social Risk

- **Probability**
  - Likelihood that intended social impact will be achieved
  - Calculated by the proportion of similar programmes that have achieved the intended impact in the past
  - More deals = better data = more accurate calculations

- **Variance**
  - Standard deviation of the impact predicted for the programme
  - Calculated by the spread of deviations of intended impacts of similar programmes in the past
  - Higher standard deviation = higher risk

- **Uncertainty**
  - Not all social risk factors can be known
  - Exogenous: PESTLE changes
  - Endogenous: management/organizational change
Uncertainty Social Risk

![Graph showing uncertainty in social risk]

Social Risk

<table>
<thead>
<tr>
<th>Type of Risk</th>
<th>Definition</th>
<th>Calculation</th>
<th>Drivers</th>
<th>Variables</th>
</tr>
</thead>
<tbody>
<tr>
<td>Probability</td>
<td>Likelihood that social impact will be achieved</td>
<td>Calculated by the proportion of similar programmes that have achieved the intended impact in the past</td>
<td>More deals = better data = more accurate calculations</td>
<td>Evidence bias risk, Presence-absence of relevant historical data, Population risk, Focus on high-risk populations</td>
</tr>
<tr>
<td>Variability</td>
<td>Standard deviation of the impact predicted for the programme</td>
<td>Calculated by the spread of deviations of intended impacts of similar programmes in the past</td>
<td>Higher standard deviations = higher risk</td>
<td>Earnings bias risk, Higher-lower financial structure risk, Reputation risk, Higher-lower organisational reputation risk, Higher-lower organisational risk, Experience-lack of experience of management, Experience-lack of experience of organisation, Lifecycle stage of organisation</td>
</tr>
<tr>
<td>Uncertainty</td>
<td>Risk factors that cannot be known</td>
<td>Expected: PESTLE changes, Unexplained: management and organisational change</td>
<td>Historical political and contextual volatility = higher risk</td>
<td>Greater lever volatility of PESTLE context, Responsiveness risk, Greater-lower capacity to respond strategically to change</td>
</tr>
</tbody>
</table>
Population Risk

Potential social return per participant

difficulty of achieving return

size of population

population risk

population-wide prevention

early intervention with those showing some risk factors

programmes for those at highest risk of progressing

costly acute care

Population Risk: Social Outcomes

Potential social return

Population risk

greatest impact potential

6% 30%

Slide 29

Slide 30
Variable Correlations

<table>
<thead>
<tr>
<th>Risk Factor</th>
<th>Positive</th>
<th>Negative</th>
<th>Uncorrelated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Probability</td>
<td></td>
<td></td>
<td>Evidence Base Risk</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Population Risk</td>
</tr>
<tr>
<td>Variance</td>
<td></td>
<td>Financial Structure Risk</td>
<td>Organizational Risk</td>
</tr>
<tr>
<td>Uncertainty</td>
<td>Contextual Risk</td>
<td>Responsiveness Risk</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Availability of good, reliable, and relevant social impact performance data is key
Measurement Typology

- Expected return
  - Cost Benefit Analysis/SROI
- Experimental measures
  - Revealed preferences
- Baseline models
  - RCTs
- Logic models
- Participatory models
- Integrative approaches
- SIBs and other PFS evidence benchmarks

Ebrahim and Rangan (2010)

PVP Model
Mainstream Projections

<table>
<thead>
<tr>
<th>Drivers of Value</th>
<th>Growth Rates</th>
<th>Costs of Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quantity of Products Sold</td>
<td>Revenue growth</td>
<td>Variable Costs, e.g.</td>
</tr>
<tr>
<td>Product Price</td>
<td>Conversion growth</td>
<td>Cost of Goods Sold,</td>
</tr>
<tr>
<td>Number of Users</td>
<td>Margin growth</td>
<td>Acquisition Cost Per User</td>
</tr>
<tr>
<td>New Customer Acquisitions</td>
<td></td>
<td>Service Costs</td>
</tr>
<tr>
<td>Subscription Price</td>
<td></td>
<td>Fixed Costs, e.g.</td>
</tr>
<tr>
<td>Advertising Revenue</td>
<td></td>
<td>Employee Salaries</td>
</tr>
<tr>
<td>Number of Contracts</td>
<td></td>
<td>Rent</td>
</tr>
<tr>
<td></td>
<td></td>
<td>General and Administrative Costs</td>
</tr>
</tbody>
</table>

Social Finance Adds Issues

- **Conversion** (how outcomes are calculated)
  - Role of stakeholder participation
- **Causality** (how outcomes are attributed)
  - Deadweight/counterfactuals
- **Integration** (the blending of financial and social value flows)
  - Calculated separately but linked
  - Timing of calculations?
- **Motivation** (the incentives to take on the additional cost and complexity of social impact projection)
  - External investment and internal strategy
Valuation Calculations

- Net Present Social Value
  - Social riskiness of the investment
- Social risk rate = NPV discount rate
  - 0% (grant funding and environmental projects)
  - Municipal Bond rate
  - HM Treasury 3.5%
- Portfolio approach
  - VC Cash on Cash Portfolio Total Approach
- Social Private Cost of Capital

Discount Rates

<table>
<thead>
<tr>
<th>Investor Source</th>
<th>Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>9%</td>
<td>The smallest grant or seed-stage cash investment that does not require a return on investment</td>
</tr>
<tr>
<td>3%</td>
<td>Rate provided by venture capital firms for investments in social enterprises</td>
</tr>
<tr>
<td>0%</td>
<td>Rate provided by socially responsible investors for investments in social enterprises</td>
</tr>
<tr>
<td>5%</td>
<td>Rate provided by impact investors for investments in social enterprises</td>
</tr>
<tr>
<td>2%</td>
<td>Rate provided by investors for investments in social enterprises</td>
</tr>
<tr>
<td>1%</td>
<td>Rate provided by impact investors for investments in social enterprises</td>
</tr>
<tr>
<td>0%</td>
<td>Rate provided by investors for investments in social enterprises</td>
</tr>
</tbody>
</table>

VC = Venture Capital

FDI = Foreign Direct Investment
### Private Cost of Capital

- Focuses on the universe of investors who are reasonable candidates to provide funds to a particular investment rather than overall market data.
- Cost of capital and expected return calculations can be more accurately calculated for a specific investment opportunity.
- Social impact valuation could use PCOC methods to determine expected returns for both financial and social impact by type of investment/sector/stakeholder: ‘I am the market’.

---

### Pricing

- Price of a mainstream security set first by institutional intermediaries (investment bank or fund level).
- Changes according to supply and demand in secondary markets.
- Social finance institutional landscape is much less well-developed:
  - Lacks rich and consistent data
  - Lacks liquidity
  - Lacks established intermediaries or secondary markets.
Social Finance Pricing

- Market makers
  - Government
  - Big Society Capital
  - Foundations
  - Social enterprises at APO
  - London Social Stock Exchange/IIX
    Asia/ClearlySo/Ethex
  - EngagedX
- Subsidies as proxies for social value?
  - Social premium in APOs eg cafedirect

Conclusions

- Social risk is poorly understood and has yet to be seriously researched
- Often elided with financial risk
- Calculating all risk factors central to building efficient capital markets and guiding valuations and pricing
- Need to standardize conceptualizations of social risk (and return)
- Need to create specific social risk/return data sets
- Much to learn from established practice in conventional finance, but also need for new constructs and measures
II. Special Sessions

Innovative Partnership Responses to Natural Disasters

The Artist, the Academic, the Hooker and the Priest: Exploring the Notion of Partnership in the Recovery of Post-quake Canterbury

Dr Suzanne Vallance
Lecturer in Urban Studies
Lincoln University
Lincoln, New Zealand

PRESENTER

Suzanne Vallance is a Lecturer in Urban Studies, Lincoln University, Lincoln NZ. Dr Suzanne Vallance began teaching full-time at Lincoln University in 2008 having completing her PhD on the topic of urban sustainability in NZ. She has subsequently extended her interests to include resilience, and is most intrigued with the ways in which formal and informal versions of both of these ideas are planned and implemented in the urban context. Through her work she seeks a better understanding of people’s collective attempts to shape the world in which they live, according to their needs, aspirations, and framing of risk.

PRESENTATION SYNOPSIS

The Canterbury earthquakes of 2010/11 caused widespread devastation to the built environment and infrastructure, decimated communities, and disrupted or destroyed many businesses. While there are many tragic elements, the disaster has also prompted the development of new - and sometimes unlikely - partnerships, many of which operate in emergent and rapidly changing ‘spaces’ of collaboration. In this presentation, Suzanne will explore several of these more innovative spaces in order to interrogate the notion of ‘partnership’ in the post-disaster context.
The Artist, the Academic, the Hooker and the Priest

Dr Suzanne Vallance
SIERC, Massey University, November 27-29th, 2013

Please note: The missing letters which occur in this presentation are deliberate and represent the missing pieces of Christchurch.
Slide 3

N ighb urh ods

Slide 4

Co munty facil ti s
“We had things, homes, we had our routines...but the earthquakes just shook that up. As an ecologist I guess I accept change. Plant communities change, animal communities change, the natural environment changes all the time. Change is more normal than permanent” (Greening the Rubble affiliate).

Resilience

- Bouncing back (to normal)
- Coping
- Bouncing forward (creating new normals)
- Letting go/rearranging symbolic content of everyday life
  - Adaptive capacity (redundancy, diversity, distribution, modularity)
  - Participative capacity (leadership, feedback, flows of information, decision-making authority, resources)
Rather than dismissing temporary installations as a ‘waste of time’, we suggest they open new spaces in the interstices between the ‘permanently real’ and the ‘wholly imagined’. They create permissive spaces where new relationships can be built and where alternative futures can be tested. Consequently, temporary use has implications not only for disaster recovery but also transition more generally.
The artists, the academics, the hookers and the priest
“They might end up being exemplars of what not to do! That’s still useful isn’t it”? (GtR volunteer)
Temporary use

• Can create ‘permissive spaces’
• Experimentation – success and failure
• Economic rejuvenation but also...

• ‘Think differently’ or ‘poke holes in the dominant frame of the city as an avenue for competition and exchange and, instead, sees the city ... as a place where communities can be built and experienced’ (Malloy, 2009)

Making temporary work

Relationships
Design guidelines rather than rules promotes ownership
Intentions and expectations
Exit strategy
Reuse, recycle
Questions
The ‘Once’ Opportunity for Christchurch – Christchurch and an IBM Smarter Cities Grant

Liz Hampton
Corporate Citizenship & Corporate Affairs Manager
IBM Corporation
Christchurch, New Zealand

PRESENTER

Liz Hampton is the Corporate Citizenship and Corporate Affairs Manager for IBM, New Zealand. Liz Hampton has a background of more than 25 years in the IT industry in roles spanning communications, technical writing, business development and training. An experienced practitioner working with the not-for-profit sector, Liz currently manages the role of corporate citizenship in IBM New Zealand. Her focus lies on building collaborative business/community partnerships that leverage the skills and expertise of the IBM company, and contribute to community growth. Liz managed the IBM Smarter Cities Challenge grant engagement with Christchurch city.

PRESENTATION SYNOPSIS

The Canterbury re-build presents a unique opportunity to revisit an entire modern city with a clean sheet of paper. How will Christchurch ensure that the billions of dollars invested lead to long term, sustainable economic and social development? In May 2013, a team from IBM, in partnership with Canterbury Development Corporation and Christchurch City Council, set out to address this question thanks to an IBM ‘Smarter Cities Challenge’ Grant. During the conference session, Liz will talk about the value and opportunities generated by this grant.
Innovation in Corporate Responsibility

The ‘once’ opportunity for Christchurch – Christchurch and an IBM Smarter Cities grant

The Smarter Cities Challenge

*Cities are home* to more than half the world’s population, and boast more economic power, greater political influence and more advanced technological capabilities than ever before.
Launched in 2010, the Smarter Cities Challenge is a major IBM grant program designed to enable up to 100 cities around the world to utilise the time and expertise of top-performing IBMers to become more vibrant and rewarding places for their citizens to live in.
Smarter Cities Challenge Christchurch New Zealand
The ‘once’ opportunity

Slide 6: Video clip

Slide 7

Smarter Cities Challenge Christchurch – the team
Smarter Cities Challenge Christchurch – the scope

Smarter City: Identify smarter city initiatives that will support technology enhanced business, create opportunities for developing workforce capability and retain and attract talent.

Innovation: Identify key opportunities to innovate in order to develop knowledge-intensive growth that is sustainable post-rebuild for the city.

Startups: Identify ways in which small innovative start-ups can be integrated with talent-focused initiatives to maximise economic success.

Engagement: Identify methodologies to maintain citizen engagement.
Slide 10

Week 1: Information Gathering & Meetings  
Week 2: Synthesis  
Week 3: Recommendations

Slide 11

The team immerse themselves in the Christchurch community during the engagement; they also worked with GapFiller on a community project.
“The Smarter Cities Challenge was one of my best experiences in fourteen years at IBM. I really enjoyed the experience to work with an incredible IBM team on such a deep and meaningful problem, and learned a lot from the different strengths and working styles of the executives on my team.

I’ve never worked in such a concentration of top talent before, and I miss it dearly.”

- SCC Participant, Christchurch

- Themes and focus for Christchurch presentation

**Driving Results** Roadmap and recommendations

- The Canterbury Brand – *premiumise* the attributes and resources of the Canterbury region – “Canterbury waters the Plains with Evian water”

- Nurture the innovation eco-system

- Christchurch is already a great place to live; it also needs to be known as a great place to work

- Collaborate – to drive win-win outcomes that are greater than the sum of the parts

- Think global – Christchurch is the same distance from the internet as any other city

- This is not a ‘once-in-a-lifetime’ opportunity; it’s a ‘once’ opportunity
“The IBM Smarter Cities team has provided us with fresh perspectives and insights to engage us all in building a smart and global city.”

- Mayor Bob Parker, Christchurch
Programme Outcomes

- Support forward-thinking city leaders and a global network of practice
- Extend IBM’s brand as a trusted advisor to cities
- Philanthropic collaboration with cities where we work and live
- Connect city leaders’ strategic priorities to drive meaningful change
- Demonstrate the power of global collaboration and perspectives
- Experiential leadership development for IBMers
- Philanthropic collaboration with cities where we work and live

Slide 17

Corporate Citizenship & Corporate Affairs
Panel Discussion on Reflections on Innovative Partnerships in a Post-earthquake Environment

Panel Members:

**Kaila Colbin**, Curator TEDxChristchurch, Co-founder Ministry of Awesome, Co-founder Falcon Training, and Founder Missing Link, Christchurch, NZ

**Dr Jackson Green**, Public Health Analyst, Community and Public Health, Canterbury District Health Board, Christchurch, NZ

**Liz Hampton**, Corporate Citizenship and Corporate Affairs Manager, IBM Corporation, Christchurch, NZ

**Sam Johnson**, Founder of the Student Volunteer Army, Co-founder Ministry of Awesome, 2012 Young New Zealander of the Year

**Dr Suzanne Vallance**, Lecturer in Urban Studies, Lincoln University, Lincoln, NZ
Iwi Innovation: Providing Local Solutions, Realising Local Opportunities

Rāwiri Tinirau  
Te Whare Wānanga o Awanuiārangi  
Whakatāne, New Zealand

Rawinia Kamau  
Te Whare Wānanga o Awanuiārangi  
Whakatāne, New Zealand

Annemarie Gillies  
Massey University  
Palmerston North, New Zealand

Virginia Warriner  
Deputy Head of School  
Graduate Studies  
Te Whare Wānanga o Awanuiārangi  
Whakatāne, New Zealand

PRESENTERS

Rāwiri Tinirau  
Hails from Ngāi Tūhoe, Te Whakatōhea and Te Whānau-a-Apanui through his grandmother, Rīpeka Hamlin (née Te Pou). Before coming to Te Whare Wānanga o Awanuiārangi as a Research Manager/Senior Lecturer, was previously employed at Massey University as an Engagement Advisor (Te Rau Whakaara), Project Manager (MANU AO Academy), Lecturer (School of Management) and Research Manager (Te Au Rangahau Māori Business Research Centre). His research and community involvement embraces several spheres of Māori development, including hapū and marae affairs, business and economic development, education, performing arts, health, environmental well-being and cultural heritage.

Rawinia Kamau:  
Having achieved a Bachelor and a Masters degree in Social Science, Ms. Rawinia Kamau worked as a senior economist for Business and Economic Research Ltd (BERL) and has operated her own consultancy practice for more than a decade. She has particular interest in Māori business and economic development and has worked in this field for close to 15 years. Her research interests include Māori economic development, but more specifically, Māori
Rawinia has an extensive portfolio of project experience, ranging from micro-enterprise development to macro-economic modelling. She has been a governor on both her own and other iwi collective asset entities, and an adviser to a number of organisations; locally, regionally and nationally. Her iwi affiliations are Ngāti Kahungunu and Rongomaiwahine, and is the Programme Manager for Te Tupunga Māori Economic Development Project.

Dr Annemarie Gillies is of Ngāti Kahungunu, Ngāti Awa, Te Whānau-a-Apanui and Te Arawa descent. She is based at Massey University as a Senior Lecturer and is currently completing her sabbatical at Te Whare Wānanga o Awanuiārangi. Annemarie is a past Director of Te Au Rangahau Māori Business Research Centre, and has developed papers and qualifications in the emerging disciplines of Māori management, business and leadership. She also has expertise in developing Māori research methodologies and experience in working with iwi and Māori organisations in collaborative and community-based activities. Annemarie currently holds governance positions on local community boards and Māori land authorities, and is an advisor to and key investigator of numerous research projects.

Associate Professor Virginia Warriner is the Lead Academic Writer for Te Tupunga Māori Economic Development Project. Her doctoral thesis focused on the internationalisation of Māori businesses in the creative industry sector, and she has had a long interest in Māori entrepreneurship, SMEs, and indigenous research contexts. She has developed postgraduate papers at Awanuiārangi in governance and management, is the current Masters Academic Programme Coordinator, and serves on the ethics committee. Associate Professor Warriner is of Ngāti Whātua, Te Uri o Hau and Ngāti Porou lineage.
PRESENTATION SYNOPSIS

Recent reports estimate the value of the Māori economy as $36.9bn, with the potential to contribute an additional $21bn to the New Zealand economy in 2050. The Māori asset base comprises of Māori self-employed and Māori employers (value of $27.2bn), and Māori trusts/incorporations and other Māori entities (value of $10.7bn) (Nana, 2010). The majority of these entities can be defined as SMEs. Collectively-held assets include iwi rūnanga, trusts and incorporations, mandated iwi organisations and post-settlement governance entities. These collectives have a kaitiaki responsibility of the assets on behalf of their constituents. Often these groups are managed by a small group of people, and could even be considered as SMEs. Research has also shown that in the overall NZ economy, innovation and creativity have in the main, stemmed from the SME sector (Smallbone, Deakins, Battisti & Kitching, 2012).

Te Tupunga Māori Economic Development Project aims to develop templates for Māori economic development. Key objectives include developing aspirational frameworks, tools and scenarios, investigating innovation as a key enabler, and building expertise and capability in Māori economic development at a wider level. This will ultimately provide the foundations for examining a range of futures-oriented frameworks. The disjunctions between cultural and culture capital, entrepreneurship and social entrepreneurship need to be examined in more depth.

Initial findings of Te Tupunga indicate that perspectives, perceptions, understandings and realities differ in various ways and on different levels. In this session, we will present and discuss some of the challenges to commonly held perceptions of Māori economic development, and innovations that provide local solutions and realise local opportunities. Furthermore, for some iwi, these solutions and opportunities extend beyond iwi boundaries and transcend regional and national borders. The realities between differing iwi groups were distinctive in some ways and similar in others, and it became clear during the project and through the findings that, from a Western lens, a series of tensions emerged. However, in casting a Māori lens, these tensions became opportunities and solutions, providing dimensions of duality, for example:
social and economic imperatives; the notions of lore and law; people and place; and individual and collective responsibilities.

We intend to profile our four iwi research partners: Ngāti Awa, Te Whānau ā Apanui, Ngāti Kahungunu and Ngāpuhi. Our methodology blends Kaupapa Māori, Mātauranga-ā-iwi as well as endogenous theory. As part of this approach, the project team included individual researchers from each of the iwi partners, and engaged with a range of iwi members. Utilising Kaupapa Māori highlights the iterative process of feeding back to key stakeholders and participants at regular intervals, allowing for information to be evaluated and fed back into the project. Often these loops were enacted at gatherings of whānau, hapū and iwi.

REFERENCES


Non-profit Foundations and Community Trusts: Resilience and Adaptation

The Role of Philanthropy: the Venture Capital of Social Change?

Jennifer Gill
CEO
ASB Community Trust
Auckland, New Zealand

PRESENTER

Jennifer Gill is the CEO of ASB Community Trust in Auckland, NZ. She has had a 25 year career in philanthropy and served her apprenticeship with Sir Roy McKenzie who in 1985 appointed her as the Executive Officer of the Roy McKenzie Foundation. She was subsequently appointed as a Trustee and Chair of the J R McKenzie Trust. Jennifer is also currently a Trustee of two small but innovative family trusts which focus on reducing disadvantage in New Zealand. Twenty years ago the McKenzie philanthropies were instrumental in the establishment of both the Funding Information Service and Philanthropy New Zealand. Jennifer is currently in her second term as a member of the Board of Philanthropy New Zealand, and in 2009 completed a five year term as Chair. Jennifer was a founding Trustee and also served as Chair of the Wellington Regional Community Foundation. From 1994 to 2004 Jennifer was the CEO of Fulbright New Zealand, where fundraising was major part of her role, and she served on the Board of the Ian Axford fellowships. Jennifer has spoken and written widely on the role of philanthropy. She is the co-author of a chapter “Innovation in Philanthropy Downunder” in Global Philanthropy, published by the Mercator Fund, Network of European Foundations in April 2010. She has been a Board member of the Asia Pacific Philanthropy Consortium since 2007.

PRESENTATION SYNOPSIS

The philanthropic grant making sector in NZ, and world-wide, has been through a decade of rapid and profound change. The old paradigms no longer apply. Grant
makers and philanthropists are asking themselves and their grantees a totally new set of questions about and to whom they allocate their funding and why? The vernacular has changed and now includes discussion of strategy, intent, impact, evaluation, measurement, accountability, sustainability, results, scale and replicability. Increasingly grant makers are able and willing to see themselves as impacting on deeply entrenched social issues through sustained investment programmes that replace the grant making practices of the past that at best could be categorised as random act of financial kindness.

PRESENTATION SLIDES

Slide 1
The role of philanthropy: the venture capital of social change?

SIGNIFICANT SOCIAL INNOVATIONS

- 1867 - emancipation of Maori men
- 1869 - emancipation of women
- 1907 – establishment of Plunket Society
- 1982 – establishment of Whale Watch Kaikoura
- 1982 – establishment of Kohanga Reo movement
- 1989 – establishment of CEBEC
- 2000s – Post Treaty of Waitangi settlement enterprises
- Waste management, energy generation & recycling
- Urban Millennials
PLUNKET SOCIETY

• Now the largest provider of free support services for the development, health and wellbeing of children under five in New Zealand
• sees more than 90% of new borns in New Zealand each year.
• offers parenting information and support as well as developmental assessments annual income of $75m ($65m from govt)
• twenty-three years ago launched the range of Wattie’s-Plunket baby foods.

The joint venture has proved extremely beneficial to both organisations
The Kōhanga Reo movement grew in answer to the desperate cry from kaumātua (elders), parents and rangatahi (the young) to save the Māori language from disappearing. The hearts of the people were captured and under the guidance of kaumātua throughout the country the movement flourished.

- 100 Kōhanga Reo were established in 1982 and growth continued until 1994 when there were 800 Kōhanga Reo catering for 14,000 mokopuna
- 60,000, young “graduates” of the Kōhanga Reo movement to date
• This remarkable turnaround was not an accident but the result of a deliberate decision in Māoridom to keep the language alive.

• Since its inception the Kōhanga Reo movement has been hailed as one of the most exciting and powerful national initiatives undertaken by Māori people. It has had an impact on New Zealanders, on the government of this country and indeed on the international scene.

Slide 9

WHALE WATCH KAIKOURA

WHALE WATCH
KAIKOURA - NEW ZEALAND

New Zealand's Ultimate Marine Experience
WHALE WATCH WAS FORMED IN 1987

• Kati Kuri leaders believed the local Sperm Whales held the answer to the unemployment problems of the Maori community.
• The founders mortgaged their houses to secure a loan to start the business......
• They knew their ancestor Paika had journeyed to a new life in New Zealand on the back of the whale Tohora. It seemed appropriate for Paika’s descendants to again ride on the back of the whale to a new life. ....And so it proved to be.

• Whale Watch, Kaikoura is now one of New Zealand’s leading tourism experiences
• a multiple award winning nature tourism company owned and operated by the indigenous Kati Kuri people of Kaikoura, a Maori sub-tribe of the South Island’s larger Ngai Tahu Tribe.
• The company has stimulated investment in new accommodation, restaurants and an array of cafes and galleries filled with the work of local artists.
• and ....................reopening of the railway station
CBEC WAS FORMED IN 1989

- Based at Kaitaia in the Far North of New Zealand, formed in response to the impacts of New Zealand’s mid 80s economic reforms.
- Initial $40,000 grant from the Roy McKenzie Foundation
- The founding managers and board members wanted to create environmentally sustainable businesses and practises that provided training and employment for local people with the profits going back into the community.
- The original purpose was to create a community owned organisation that could generate new businesses and jobs.
CBEC EMPLOY APPROXIMATELY 70 FULL TIME STAFF

- The organisation would also bid for contracts that would otherwise be run by companies from outside the district.
- Profits would be ploughed back into the community to create more employment and other community benefit.
- Today CBEC employ approximately 70 full time staff in a number of businesses and joint ventures, including waste management, recycling, labour hire, transport, home insulation, nursery and environmental education.

RURAL RECYCLERS VS URBAN MILLENNIALS

- Blueskin Resilient Communities Trusts - aim is to create a healthy, secure and resilient future for Blueskin Bay and linked communities and promote sustainable resource use. Assisting groups and individuals in Blueskin Bay communities address the opportunities and vulnerabilities associated with Climate Change and Peak Oil
- Curative - With a passion for connecting communities, sharing knowledge and empowering social change, Jade & Eddy established Curative; a social business enabling community communication
Slide 16

CHARACTERISTICS

- Social innovations arise in response to an issue and utilise local resources to come up with a solution that to break the mold
- Charismatic leadership
- Social enterprises adopt business principles in pursuit of long term sustainability and independence from government

Slide 17

WHERE DOES PHILANTHROPY FIT?

The venture capital of social change
DEFINITION OF “VENTURE CAPITALIST”

- An investor who either provides capital to startup ventures or supports small companies that wish to expand but do not have access to public funding. Venture capitalists are willing to invest in such companies because they can earn a massive return on their investments if these companies are a success.

- Venture capitalists also experience major losses when their picks fail, but these investors are typically wealthy enough that they can afford to take the risks associated with funding young, unproven companies that appear to have a great idea and a great management team.

WHAT IS CHANGING IN PHILANTHROPY?

- No longer funding all who apply............
- Not wanting to pick-up where government has cut
  - Looking for long term impact
  - Looking for results
  - Looking for community in-put
  - Working collaboratively
  - Focus on intractable, “wicked”problems
Slide 20

THE NEW BUZZ WORDS

- strategy
- intent,
- impact,
- evaluation,
- measurement,
- accountability,
- sustainability,
- results,
- scale and replicability

Slide 21

SOCIAL INVESTMENT

New “tools” in the grant makers tool box

- Multi-year grants
- Social loans
- Equity investments
- Social impact bonds
Rotary- A Network of the Industrial Era Response to the Challenge of Updating Itself for the Information Economy

Richard Norman
Human Resources Management
Industrial Relations
Victoria University
Wellington, New Zealand

Jacinda Ashley-Jones
Victoria University
Wellington, New Zealand

PRESENTER

Richard Norman has specialised in researching lessons from New Zealand’s (NZ) experience of 'reinventing' its public sector systems. In 2003, he published a book, Obedient servants? – management freedoms and accountabilities in the New Zealand public sector. Work related to this research has included directing programmes for public officials from Commonwealth countries, establishing a case programme for the Australia and NZ School of Government, and directing a programme for Pacific executives during 2011 and 2012. Currently, as part of teaching human resource management topics, he is focusing on the economic development issues of the Wellington region, particularly ways in which public sector organisations can assist employment generation by knowledge sector companies. Before joining VUW in 1994, he was a trainer and manager at the State Services Commission's training unit. Earlier, he worked as training manager for a Government-owned development bank and as a journalist and trainer of journalists.

PRESENTATION SYNOPSIS

The Rotary Club of Wellington, the oldest among more than 300 Rotary clubs in New Zealand, will mark its centennial in 2021. This session will provide an overview of a Victoria University summer research project which will use the theme of 'social enterprise' to analyse historical and current contributions of this club, the largest in New Zealand, with 160- members. Rotary was founded in Chicago in 1905 and by
the time Wellington was founded (with Auckland a week later), there were more than 1000 clubs. Now there are 30,000 clubs and 1.2 million members, though this membership has remained at that level for more than ten years. During its founding period, Rotary can be seen as an industrial era equivalent of the Linkedin network, but with a wider mission of fostering 'service above self' through community focused projects. The Rotary Club of Wellington has helped found and support many non-profit initiatives, including CCS, the Plunket Society, Skylight Trust, Zealandia and currently the science oratory competition 'Eureka'. While the term social enterprise has come into prominence during the past ten years as governments seek innovative ways to deliver community services, Rotary has effectively been a social enterprise from its founding era, as clubs led by businessmen sought to apply business techniques to tackling social issues. A challenge for Rotary internationally is to renew its membership by showing relevance to younger people who have grown up with the internet and social media networks. This session aims to spark a discussion about ways in which a well-established social enterprise can review its processes and remain relevant.

Panel Discussion on Resilience and Adaptation by Non-profit Foundations and Community Trusts

Panel Members:

Jennifer Gill, CEO, ASB Community Trust, Auckland, NZ

Jonny Gritt, Philanthropic New Zealand and The Lion Foundation, Auckland, NZ

Richard Norman, Senior Lecturer, HR Management/Industrial Relations, Victoria University, Wellington, NZ

Jenny Wang, Executive Director, Chinese New Settlers Trust, Auckland, NZ,
The Social Innovation Ecosystem

Billy Matheson
Principal Advisor - Social Entrepreneurship
Auckland Council
Auckland, New Zealand.

PRESENTER

Billy Matheson is an Industrial Designer (B.Des – Victoria University) by training and an Educator by profession (M.Ed- Massey University). Billy founded the ReGeneration youth leadership initiative with the support of the Enviroschools Foundation and the Tindall Foundation.

PRESENTATION SYNOPSIS

While New Zealand has a proud history of innovative social practice and social policy there has been very little institutional support for the new wave of Social Innovation and Social Enterprise despite the spectacular growth in other developed countries. While current thinking can seem hopelessly bifurcated between not-for-profit and for profit paradigms, the next generation of entrepreneurs are using the tools of business to solve tough social problems and relishing the challenge. This workshop will look at some of the drivers behind this change in New Zealand and participants will hear from a panel discussion featuring some of the young entrepreneurs who are developing innovative practices in this new and dynamic environment.
Panel discussion on a New Economy for a New Generation

Panel Members:

Adriana Avendano Christie, Founder and Co-Director, GWAMU, Auckland, NZ

Anakere Marino, Founder and Director, Momentum Creators, Auckland, NZ

Billy Matheson, Principal Advisor, Social Entrepreneurship, Auckland Council, Auckland, NZ

Jade Tang, Co-Founder and Director, Curative NZ, Auckland, NZ

Brook Turner, CEO, ZEAL Education Trust, Auckland, NZ
III. Professional Development Workshop

Teaching Social Entrepreneurship

Blurring Boundaries and Transcending Barriers to Develop a Multi-organization Social Entrepreneurship Program.

Patricia Flanagan
Director of Social Entrepreneurship Initiatives
University of Arkansas, Arkansas, USA.

Carol Reeves
Associate Vice-Provost for Entrepreneurship
Cecil and Gwendolyn Cupp Applied Professorship in Entrepreneurship
University of Arkansas, Arkansas, USA.

PRESENTERS

Patricia Flanagan: At age 19, Trish began teaching illiterate teens from Ireland’s traveling community. After working with homeless families and immigrant youth in San Francisco and southern Texas, she spent three years building a school in Honduras. While completing an MBA at the Walton College of Business and an MPS at the Clinton School of Public Service, she served as a fellow with the Room to Read library program in Sri Lanka and Cambodia. Trish is the co-founder of Noble Impact, an educational initiative merging public service and entrepreneurship and coordinates the development of social entrepreneurship programs at the University of Arkansas.

Professor Carol Reeves has mentored more than 40 University of Arkansas (UA) student business plan/investment teams. Since 2009, her teams have won twice as many national competitions (19) as teams from any other university and have earned over $1.7 million in cash, started 10 high-growth businesses, and raised over $16 million in funding. Carol has won two national awards for innovation in entrepreneurship pedagogy, was awarded a UA Faculty Gold Medal in 2009, and won the prestigious Arkansas Alumni Association Faculty Distinguished Achievement Award for Teaching in 2010. She was named one of the 10 most powerful Women Entrepreneurs by Fortune magazine in 2011.
PRESENTATION SYNOPSIS

The University of Arkansas is building a unique approach to social entrepreneurship by partnering with the Clinton School of Public Service and Noble Impact, an educational initiative that merges public service and entrepreneurship. Because our focus is on impact, rather than social mission intention, we have built the program using business tools from the outset. Our first program successfully incorporated a tool being widely adopted in entrepreneurship, the business model/lean canvas. Our experiences with the canvas and its adaptation for social entrepreneurship startups are the focus of this special session.

The business model/lean canvas, developed by Alex Osterwalder (Osterwalder & Pigneur, 2013) and refined by Steve Blank, (Blank & Dorf, 2012) Eric Ries (Ries, 2011), and Ash Maurya (Maurya, 2012), has been rapidly adopted by startup incubators, accelerators, and entrepreneurship programs. The basic concept behind the canvas is that companies are more likely to succeed if they interact with their potential customers and systematically test their assumptions regarding their customers' problems, evaluate the best way to reach customers, identify early adopters, etc. Osterwalder, among others, has argued that the canvas can be effectively used by organizations whose purpose is social benefit, and this was our experience. We believe that the lean canvas approach is particularly applicable to social benefit startups, which are likely to face extreme resource constraints. This session will be similar to an Academy of Management PDW session. It will begin with a discussion of our use of the lean canvas in a program developed by the University of Arkansas, the Clinton School, and Noble Impact. The first outcome of our “boundary-blurring” collaboration was a two-week program for high school students, most from marginalized groups, in July 2013. Using the canvas as a foundational tool, students created sustainable solutions to community issues by incorporating business development concepts, such as a unique value proposition. This fall, we will introduce an interactive MBA-level professional development social entrepreneurship workshop that uses the lean canvas. We will report on revisions we have made to the canvas as a result of these
Initiatives during this session and will introduce a new concept that worked well—an exit strategy for social startups.

Following the brief (15 minute) discussion of our experiences, attendees will apply the lean canvas to social entrepreneurship initiatives at their institutions. Thus, participants will develop a deeper understanding of how the lean canvas approach can be applied in a classroom setting as well as how students and others interested in social entrepreneurship startups can use it. We will conclude with a participant discussion of the advantages and disadvantages of a social entrepreneurship lean canvas and how it might be adapted to meet the needs of their students and institutions.

In addition to the high school and MBA social entrepreneurship programs, we are developing a Speaker Series that builds on the Clinton School’s strengths and new undergraduate classes in social entrepreneurship for Walton College of Business students. Depending upon audience interest, we can also address the benefits and challenges of the boundary-spanning collaboration among Noble Impact, the University of Arkansas, and the Clinton School.

REFERENCES


IV. Contributed Papers

Social Enterprise Insights

Nonprofit Organisational Configurations - Case Evidence from Australian Nonprofit and Social Enterprises.

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ABSTRACT

Nonprofit organisations face an increasingly complex environment. As a response, they explore and adopt diverse management perspectives. These perspectives present as three distinct schools of thought in the literature. Taking these as a starting point, this paper uses data from seven in-depth case studies to present three nonprofit organisational configurations that clarifies and extends these schools. The Traditional, Contemporary and Hybrid configurations provide a deeper understanding of the conflicts and ambiguity that exists within nonprofit management. They each have intended and unintended consequences that can either benefit the organisation or prove detrimental. These configurations explain the contrasting nature of nonprofit management, which is our key contribution.

KEYWORDS

Nonprofit, social enterprise, managerial practice, organisational configurations, social entrepreneurship, schools of management thought

BACKGROUND

In an attempt to cope with the complexities they face, ensure survival and maintain their social focus, nonprofit organisations explore and adopt a wide array of management practices and perspectives. To make sense of this diversity, we traced the development of nonprofit management from its foundations to the present in a previous paper (Malhotra, Verreynne, & Zammuto, 2012). Drawing parallels with the classification of ‘schools of thought’ that are an integral part of management theory [e.g. (Mintzberg, Ahlstrand, & Lampel, 1998; Wren, 1994)], we classified these perspectives based on their own unique motivations and propagated values into
three such schools (Hood, 1995; Van Maanen, Sorensen, & Mitchell, 2007). The Traditional school of thought emphasises values of philanthropy, concern for public good and collective engagement to solve social problems (Anheier, 2005; Bush, 1992). It is exemplified by practices such as volunteerism, community engagement and empowerment initiatives as well as efforts to professionalise the field and maintain ethical conduct in service delivery (Chenoweth & McAuliffe, 2008; Jones & May, 1998; Worth, 2009). The Contemporary school embraces for-profit managerial practices and considers them critical to the success of nonprofit organisations. It advocates for-profit management techniques, such as strategic planning, evaluation and reporting systems, performance measurements systems, financial resource management tools and environmental analysis, as mechanisms to anticipate and cope with a changing environment (Bowman, 2009; Brudney & Gazley, 2006; Cairns, Harris, Hutchison, & Tricker, 2005; Courtney, 2001; Zimmerman & Stevens, 2006). The third, or Hybrid school is shaped by the view that nonprofit organisations need to maintain a balance between social mission and economic sustainability (Hutchison & Cairns, 2010). It has grown in influence because of its promise of increased autonomy and alternative sources of funding (La Barbera, 1992; Peredo & Chrisman, 2006). Associated practices that incorporate principles and techniques of the for-profit sector with the values of the not-for-profit sector include business arms and commercial enterprises fundraising arms such as social businesses, commercial enterprises operating under the not-for-profit umbrella, and tools such as the Social Return on Investment methodology (SROI) (Billis, 2010; Dees, 1999; Perlmutter, Bailey, & Netting, 2000; Weerawardena & Sullivan Mort, 2001) Each of the three schools has appeared at different stages in the evolution of management practice and continues to have a considerable influence on nonprofit management literature and practice.

This paper builds on these schools of thought and uses data from seven in-depth case studies to identify three nonprofit organisational configurations that clarifies and extends these schools. Organisational configurations, as explained by Short, Payne and Ketchen (2008, p.1053), are “sets of firms that are similar in terms of important characteristics”. Configurational theorists suggest that configurations form when elements such as environments, strategies, structures, ideologies, processes,
practices and consequences cluster together (Meyer, Tsui, & Hinings, 1993; Danny Miller & Friesen, 1977; D Miller & Friesen, 1987; Mintzberg, 1979). They further attribute this ‘clustering’ to a range of internal and external forces that cause organisations elements to group together (Meyer et al., 1993; D Miller & Friesen, 1987). That is, the configurations are not just collections of elements, but rather collections of elements that “hang together” (Tiryakian, 1968, p.178). Advocates of this field argue that discovering and developing configurations is critical to managerial theory and research as they can draw out distinctive and contrasting organisational elements, shed light on their relationships and provide insight into the complex functioning of organisations (Meyer et al., 1993; D Miller & Friesen, 1984; Mintzberg, 1979).

This paper therefore aims to elucidate the distinctive practices and their consequences and illustrate real-life organisations’ internal interdependencies and complexities. Its contribution lies in the ability of the three nonprofit management configurations to identify, ‘sort’ and classify organisational patterns (Mintzberg et al., 1998) as well as bring some cohesion and order to a field that is often considered diverse and fragmented (Anheier, 2005; Light, 2000). The remainder of the paper is organised as follows. First, we outline our case approach. We then use our data to develop and describe the three nonprofit configurations. We finish be elaborating our contribution to theory and practice.

**METHOD AND ANALYTICAL APPROACH**

This study adopts a multiple case study approach to inform the development of the organisational configurations. Theoretical sampling was used to ensure distribution of cases across the schools of thought. Potential cases were located using publically available information and discussions with practitioners and established experts in the field. The focus of the investigation was social-service nonprofits based in Australia. This focus stems from the realisation that SSNPO’s in particular, are facing an extremely complex work environment fraught with numerous challenges (Anheier, 2000; Kong, 2008) and that research specific to nonprofits in Australia is still in nascent stages (Douglas, Mort, & Cuskelly, 2007; Lyons, 2001; Renshaw &
Krishnaswamy, 2009). The final sample consisted of seven nonprofit organisations. Table 1 describes these organisations.

Following the principles of triangulation, data were gathered from archival records and organisational documents, interviews with principle decision-makers and interviews with board members and non-managerial employees. A total of twenty-five organisational representatives were interviewed, using a semi-structured approach. Table 2 provides a summary of the data sources. The interviews lasted between 45-90 minutes each. A semi-structured approach was used in order to delve into aspects specific to the research questions (Grinnell, 2001), while still allowing the participants to add additional views (Alvesson, 2003) about participants’ roles and responsibilities, the prevalent practices and the reasons behind them.

<table>
<thead>
<tr>
<th>Case</th>
<th>Year established</th>
<th>Focus</th>
<th>Operates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Org1</td>
<td>2003</td>
<td>Support services for the disabled</td>
<td>Local</td>
</tr>
<tr>
<td>Org2</td>
<td>1990</td>
<td>Community support services</td>
<td>Regional</td>
</tr>
<tr>
<td>Org3</td>
<td>1978</td>
<td>Multicultural support services</td>
<td>Regional</td>
</tr>
<tr>
<td>Org4</td>
<td>1965</td>
<td>Community and mental health support services</td>
<td>National</td>
</tr>
<tr>
<td>Org5</td>
<td>1974</td>
<td>Emergency and Disaster support services</td>
<td>National</td>
</tr>
<tr>
<td>Org6</td>
<td>1984</td>
<td>Community Development services</td>
<td>Local</td>
</tr>
<tr>
<td>Org7</td>
<td>1871</td>
<td>Community education and welfare services</td>
<td>National</td>
</tr>
</tbody>
</table>
The analysis process adopted an inductive approach “in figuring out what is important” and focused on recognition of underlying themes and issues (Edmondson & McManus, 2007). It consisted of within-case and cross-case analysis. The former involved construction of detailed organisation-level case summaries as proposed by Eisenhardt (1989). The latter involved comparing and contrasting the insights across the cases. However, rather than identifying common themes, the aim of the latter was to integrate the findings and generate a synthesised understanding, ideas which are aligned with Miles and Huberman (1994)’s recommendation of a variable – oriented analysis. Furthermore, the entire process was iterative and involved alternating between the extant literature, first-order codes and second-order concepts until adequate conceptual themes emerged and no new insights were apparent (Eisenhardt, 1989).

<table>
<thead>
<tr>
<th>Case</th>
<th>Types of Documents</th>
<th>Interviewees</th>
<th>Organisational role</th>
<th>Identifier</th>
</tr>
</thead>
<tbody>
<tr>
<td>Org 1</td>
<td>Annual reports, Strategic plan, fact sheet, brochure, government submissions, external reports, social media publications</td>
<td>Principle decision-maker</td>
<td>Chief Executive Officer</td>
<td>Ext 1.1-1.11</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Managerial and non-managerial staff and stakeholders</td>
<td>Founder, chief executive officer</td>
<td>Int 2</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Marketing and Fundraising manager</td>
<td>Int 3</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Corporate Affairs manager</td>
<td>Int 4</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Representative from funding partner</td>
<td>Int 5</td>
</tr>
<tr>
<td>Org 2</td>
<td>Annual reports, brochure, newsletters</td>
<td>Principle decision-maker</td>
<td>Chief Operating Officer</td>
<td>Ext 2.1-2.7</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Managerial and non-managerial staff and stakeholders</td>
<td>Director - Finance and Infrastructure</td>
<td>Int 7</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Manager - Child, Youth and Family Care</td>
<td>Int 8</td>
</tr>
<tr>
<td>Org 3</td>
<td>Annual reports, Strategic plan, Org3 Story Book</td>
<td>Principle decision-maker</td>
<td>Executive Manager</td>
<td>Ext 3.1-3.4</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Managerial and non-managerial staff and stakeholders</td>
<td>General Manager</td>
<td>Int 10</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Chairperson</td>
<td>Int 11</td>
</tr>
<tr>
<td>Org 4</td>
<td>Annual report, Brochure, Newsletters and internal magazine</td>
<td>Principle decision-maker</td>
<td>Chief Executive Officer</td>
<td>Ext 4.1-4.7</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Managerial and non-managerial staff and stakeholders</td>
<td>Executive Director (now retired)</td>
<td>Int 13</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Chief Operations Officer</td>
<td>Int 14</td>
</tr>
<tr>
<td>Org 5</td>
<td>Organisational strategy, internal case-study report, Media report</td>
<td>Principle decision-maker</td>
<td>Chief Executive Officer</td>
<td>Ext 5.1-5.6</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Managerial and non-managerial staff and stakeholders</td>
<td>National President</td>
<td>Int 16</td>
</tr>
<tr>
<td>Org 6</td>
<td>Annual report, Brochure, Community activity plans, Our origins story</td>
<td>Principle decision-maker</td>
<td>Acting manager</td>
<td>Ext 6.1-6.5</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Managerial and non-managerial staff and stakeholders</td>
<td>Program co-ordinator</td>
<td>Int 18</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Program co-ordinator</td>
<td>Int 19</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Manager - Community Development</td>
<td>Int 20</td>
</tr>
<tr>
<td>Org 7</td>
<td>Annual report, governance plan, CEO’s speeches</td>
<td>Principle decision-maker</td>
<td>Chief Executive Officer (National)</td>
<td>Ext 7.1-7.5</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Managerial and non-managerial staff and stakeholders</td>
<td>Chief Executive Officer (Regional)</td>
<td>Int 22</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Director – Retail and Revenue</td>
<td>Int 23</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Chief Executive Officer 2 (Regional)</td>
<td>Int 24</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Manager – Volunteering Services</td>
<td>Int 25</td>
</tr>
</tbody>
</table>
DEVELOPING ORGANISATIONAL CONFIGURATIONS – FINDINGS AND DISCUSSION

The nonprofit organisational configurations developed in this paper are representations of organisations when viewed through the lens of the three schools of thought identified earlier. As with other organisational configurations, each nonprofit organisational configuration is guided by an underpinning theme. Termed *effectiveness*, *efficiency* and *sustainability*, these themes guide the Traditional, Contemporary and Hybrid configurations respectively and bear tremendous influence on their functioning. Consequently, each configuration has distinctive attributes, associated practices and consequences.

In addition, the findings reveal that each of these organisational practices can be classified into seven distinct, yet interconnected and interdependent, organisational functions. These are *Governance*, *Planning and performance measurement*, *Operations and structure*, *People*, *Relationships*, *Resources* and *Marketing and promotions*. They also reveal that organisations experience intended and unintended consequences that can either benefit or prove detrimental for the organisation’s service delivery and functioning. The remainder of this section presents an in-depth view of the three configurations, accompanied by a summary of each and illustrative evidence (see Tables 3 and 4).

The Traditional Nonprofit - Configuration profile and representative practices

A manifestation of the Traditional School, the first configuration is the Traditional Nonprofit configuration. The pull of effectiveness underlies this configuration, meaning it prioritises the clients’ needs in every aspect of its functioning. This is a manifestation of the desire to fulfil a social aim drives its single-minded approach and means that little emphasis is placed on formalising structures and practices. Instead, the configuration affirms its connection to the Traditional School by embracing practices such as volunteerism, community engagement and collaboration across its functions.
The first practice relates to its Governance. The findings indicate that a Traditional Nonprofit board is voluntary and usually comprises founders, their friends and their family members, who unite to fulfil a social need: “it’s a voluntary position there is no money paid, I just love doing it” (INT11). A desire to make a difference motivates these individuals, and the organisation places little emphasis on the experience or knowledge they bring to govern and guide it: “our treasurer at the moment doesn’t, he’s a chiropractor or physiotherapist or something and he’s almost clueless” (INT9). In some cases, however, board members or managers may request individuals with expertise specific to their organisation’s community or social cause to serve on the board. These individuals include community elders, client representatives or gatekeepers: “They are all volunteers and…they represent their community” (INT9). This further means that the board, although extremely dedicated, may not share the vision or priorities of the other organisational representatives: “they’ve sort of come with their own set of beliefs and ideas, where they don’t really come from a human service sort of a background” (INT17). In particular, the board is unable to contribute to planning and strategic direction: “I’m feeling the lack of that support where I can’t take these major strategic issues to a board that understands where I’m coming from” (INT9).

These Governance attributes have significant implications for Planning and performance measurement. The findings indicate that the Traditional Nonprofit places minimal emphasis on formalising plans and performance measurement practices: “the succession planning and the strategic planning have just not been happening” (INT9). In situations where it does embrace planning and performance measurement, it is rudimentary and focus on the clients’ needs as well as the quality and impact of services. As a result, they consult extensively with other social organisations, the community and potential clients: “we will look beyond the existing services we may have in a given town or area, and consider introducing other caring services or programs within our area of competence…We will particularly work much more closely with local [arms of Org2] to meet community needs where possible” (Ext 2.1: 27). Similarly, the measurement practices the configuration adopts are quite basic and aimed at evaluating service delivery. They include using simple tools such as feedback forms and pre-formatted reports (“They’ve sent us a template and we
just fill that in” (INT19)) and monitoring systems that ensure that service delivery standards set by relevant agencies are being met. For example, an organisation that provides aged-care services must follow the audit standards that a relevant peak body issues: “that’s very strict because [of] the political repercussions or the actual social repercussions of somebody finding that these old people have not been fed for a day or their bed sheets haven’t been changed” (INT10).

This nonprofit also focuses on prioritising clients’ requirements within its Operations and structure, with overall approaches informal and flexible. This allows employees to remain responsive to their clients’ needs, often modifying services and programs in order to accommodate them: “it might not necessarily be the model that [the funding body] wants me to do, but it’s the model I have told them that will work” (INT18). Furthermore, where systems and processes exist, they take a back seat to clients’ needs: “we have the set things that must be done every day, but it’s really difficult because it’s just people walk in off the street and they need help now” (INT17). Its informal and simplistic nature also extends to organisational structure. The findings indicate that the Traditional Nonprofit lacks a defined structure and is characterised by ambiguous organisational divisions and unclear systems and processes: “We didn’t have any structure, it was just a random collection of people doing specific jobs” (INT22). The decision-making practices are likewise decentralised, with different departments working as independent units and responsible for their own functioning. This is particularly relevant to national organisations, as it translates into a local or regional focus rather than a national one: “each state is responsible for organising the stuff that happens in their own state” (INT21).

The findings also suggest that the Traditional Nonprofit relies on donations and, in some cases, government support (particularly for service delivery) in order to generate resources, including in-kind and financial resources. They depend on the support of its members, their friends and their families, who might donate personal time and resources to running the organisation: “my car, it’s all full of things from my kitchen to feed the members” (INT11). Furthermore, the systems that manage these resources are quite elementary. That is, while practices such as auditing are in
place, there is little emphasis on financial procedures, planning or growth: “we weren’t even paying people correctly who knew. There were no rules” (INT22). Their use of resources is significant. Similar to the literature review which showed that Traditional nonprofits channel all their resources at service delivery, often at the expense of organisational infrastructure, capacity and security (Dees, 1998; Jeavons, 1992; Lyons, 2001; Stid & Bradach, 2009; Worth, 2009), we find that they direct most resources towards service delivery or purchasing material resources specific to the needs of its clients. Not surprisingly, therefore, minimal infrastructure and the use of recycled or donated goods characterise the Traditional Nonprofit: “I think if you look around you’ll see we’re not overly flashed, we don’t have nice glass offices” (INT22).

Intended and Unintended Consequences

The literature indicates that embracing the Traditional school of thought allows nonprofit organisations to stay true to the ideals of the sector, focus on social missions and provide high levels of service to clients (Bush, 1992; Hodgkinson, 1988; Jeavons, 1992; Kirk & Nolan, 2010; McDonald, 2007; Setterberg & Schulman, 1985). The findings validate this and show how they maintain healthy relationships with other organisations within the nonprofit landscape. This is evident in the Traditional Nonprofit’s strong relationships it shares with communities and clients: “we are the ones with all the clients really. We are the ones that have been here for 25 years” (INT18).

The main reason for this is the configuration’s focus on clients’ needs and comfort, which reflects its effectiveness-oriented nature. Its community-focussed approach also means that it retains a sense of familiarity and ensures that clients do not feel alienated or threatened: “somewhere like this where it is friendly and lots happens, people are not afraid, they are not afraid to come here regardless what the problem is” (INT18). More importantly, the configuration allows organisations to develop services and programs appropriate to the needs and requirements of potential clients, thus further underlining the effectiveness theme. Similarly, the informal structure, operational flexibility and decentralised decision-making mean that an
organisation can respond quickly to a local emergency without having to cut through bureaucratic red tape: “we were able to just drop what we were doing, put some workers and take chairs down there and get food organised” (INT19).

The pull of effectiveness, and its resulting focus on clients, also supports some additional advantages. First, it provides a sense of unity. This is particularly useful in larger organisations, as it can guide decision-making: “the mission is very central in the life of the church and I think that’s a benefit to us when you’re such a large entity” (INT12). Second, it provides an organisation’s people with emotional satisfaction. The findings suggest that positive consequences and the changes they are able to bring about serve as intrinsic rewards: “that’s what gives me the little frizzle up the spine to say that’s why we do it and that’s what we want to do” (INT8). The dedication and commitment of an organisation’s people also provide great resilience in the face of inadequate resources: “we had no office space, whenever we have [a] meeting we have to bring our own coffee, tea and all” (INT11).

Some unintended consequences hamper the Traditional Nonprofit’s service delivery and organisational functioning. An ad hoc approach and low sophistication for gathering and using resources is cause for concern: “We understood that if we were serious about having an impact on addressing vulnerability, this could not occur through existing ad hoc and disparate approaches to service development and delivery across the country” (Ext 5.7: 3). The siloed nature means that personnel are aware of only their areas of work. Consequently, they are unable to guide clients in need to other departments or service areas: “if they had known more about all of their areas of operation that could have had more benefit or impact on those they come in contact with” (INT6). Furthermore, the localised approach makes it difficult to respond to larger crises or issues: “you tend to focus on state issues and national issues weren’t getting enough importance” (INT16). The low levels of sophistication in planning and the lack of emphasis on financial security result in organisations struggling to make ends meet; they also threaten the lives of their services. In the situations where service delivery is dependent on government funding, this not only means that its survival is determined by the duration of the funding (“it will just be whatever the flavour of the month for the government” (INT18), but also that the
guidelines and demands restrict it: “government programs put you in a bit of a straitjacket, government only funds things they want to fund” (INT15).

Issues in organisational functioning, however, result from concerns about, for example, a board’s inability to provide guidance on the strategic planning and direction of its configuration. The findings show that these issues cause significant concern for the Traditional Nonprofit’s long-term survival and growth. For example, the configuration struggles with decisions related to its future: “Where are we going in the next few years? How are we using our substantial reserve funds to grow the organisation? Where is that vision?” (INT6). Similarly, the issues stagnate the progression opportunities of an organisation’s people: “you actually physically have to leave somewhere that you love in order to get a better job” (INT18).

Another concern is the informal nature and structure of the Traditional Nonprofit configuration. It leads to unclear roles and responsibilities and blurred lines of authority within and between an organisation’s divisions. Consequently, confusion over individual and departmental responsibilities and ambiguity in job roles result: “there are no formal lines of management” (INT4). It also signals a lack of cohesion within the organisation: “the clusters of services were different - they were often unrelated to each other” (INT14). This inconsistency not only serves as a source of stress to the organisational representatives (“If there is not a drama happening in the day then I think there’s something actually wrong, it’s never easy” (INT18)), but also leads to duplicated efforts: “I have seen service streams within [Org2] working independently of each other and duplicating resources, churches and care services in the same town not talking to each other” (Ext 2.1: 15). More importantly, it poses concerns from a control perspective. The findings indicate that this fragmented functioning makes it difficult for an organisation to implement changes, design national programs, apply for funding or form partnerships, due to the conflicting messages it is giving its stakeholders: “as the CEO I had no authority over the states and territory staff” (INT15). These concerns are important as they mean that an organisation fails to present a unified stance on issues, particularly in environments where accountability and transparency are becoming increasingly significant: “it had hundreds of little services all over the state, but they didn’t have the capacity to
manage those services given the increasing demands of funders of regulation in all sorts of areas and industrially” (INT12).

Last, the informal nature leads to dearth of proper financial planning. The findings reveal that this lack of proper planning and processes means that the Traditional Nonprofit struggles to develop a steady inflow of funds and build financial reserves: “you might meet [fundraising targets] at one quarter and then not make it the next quarter” (INT3). Donations and government support are directed towards services, which leaves the Traditional Nonprofit without resources for infrastructure, administrative or management costs. This results in poor infrastructure and less-than-ideal working environments characterise the configuration: “you know the cracks on the wall wherever it might be, the facility here is worn out” (INT22).

The Contemporary Nonprofit - Configuration profile and representative practices

The Contemporary Nonprofit configuration is a manifestation of the Contemporary School and is underpinned by the efficiency theme. Itnot only embraces for-profit business practices, but also stresses formalising systems, processes and future planning.

The first of these functions is its Governance. The findings reveal that, in contrast to the Traditional Nonprofit that emphasises passion for a social cause, the board of a Contemporary Nonprofit is driven by a need for expertise that contributes to the running of the organisation: “we just identified the skills that the board would need” (INT16). Owing to their expertise, board members may not only be renumerated (“so to get those people who you want on a board like that you’ve got to pay them, otherwise you can’t ask them to give that amount of time” (INT16), but also greatly involved in the organisation’s functioning and decision-making. Examples include appointing the CEO and specific, board-level committees to oversee particular functional areas: “the board has several committees including for example the risk audit and compliance committee” (INT6). The board members’ most significant contribution, however, is the input that they contribute to the overall direction and
growth of the organisation. For example, they take part in the planning and are heavily involved in the general overseeing of functioning: “governance has to govern and put the ruler over things and take a helicopter view of things” (INT17).

The Contemporary Nonprofit places significant emphasis on formalising **Planning and performance measurement** practices: “how do you achieve those objectives? They have to be in a plan and then you have to monitor delivery of that plan” (INT1). Unlike the Traditional nonprofit, which emphasise the clients’ needs and the quality of services, the Contemporary Nonprofit main focuses on aspects such as improving performance, raising resources and, most importantly, developing a clear and collective sense of direction: “what are we in, and what are we not in, what do we want to be in and what do we not want to be in” (INT13). Including board members and other organisational representatives in the planning process further reflects this focus. In some cases, the organisation may also appoint an executive or planning team to include people from different hierarchical levels and departments: “it comprises three senior volunteers, my deputy and the chairman” (INT16).

The findings also indicate that the configuration uses a combination of practices, such as strategic planning sessions and consultancy services, to develop plans. Performance measurement practices include internal and external auditing, regular reporting and a range of monitoring tools and software: “that’s five key goals for us as an organisation and under each of these goals are a list of the tactics, the timelines and the deliverables for each of them” (INT1). Similarly, the evaluation techniques serve as checkpoints for organisational goals, program and individual performances: “we were hoping that package could give us a better way of tracking employee turnover, hours worked” (INT8).

The Contemporary Nonprofit also reflects a similar emphasis within its **Operations and structure**. It adopts an evidence-focussed approach. That is, the configuration relies on facts rather than emotions: “it becomes a different type of conversation if you can actually say, we’ve got concerns about these things, we don’t think they are right and this is what we think you should do and this is why” (INT21). The overall approach is quite formal, and the configuration emphasises the importance of well-
defined organisational structures and departments and firm organisational systems and processes: “So the first six months were hell until we got everything sort of started to settle down because I had to start from scratch basically, put systems into place” (INT10). The most significant aspect of this function is its unified perspective, in which different departments work as one entity pursuing a common goal: “All areas of the business will have their activities aligned to this strategic plan and will report on progress against key performance measures to ensure the benefits we seek are being realised, and that we are working as one to achieve our goals” (Ext 5.6: 17). Although streamlining operations is the primary drive behind this approach, the Contemporary Nonprofit also seeks to reduce risks that may arise from different departments working in isolation: “so we couldn’t have a group of people in Melbourne…taking responsibility for decisions others were making in other states and territories” (INT16). The configuration likewise decentralises decision-making and desires synergy across all departments so that everyone is aware of their organisation’s overall goals: “so we’ve created this meeting structure where these people get together and the marketing manager meets with the [social welfare] manager and they talk about issues” (INT24).

These relationships also provide insights into the Resource practices of the Contemporary Nonprofit. For example, they highlight that the Contemporary Nonprofit relies primarily on for-profits for its resources, which include financial as well as pro-bono support: “The new [Org1] Head Office project is a great example of this type of support. Over 100 companies are offering generous pro bono assistance to help [Org1] renovate an old cottage purchased in [location of head office]” (Ext 1.1: 4). The findings reveal that the Contemporary Nonprofit has high levels of sophistication in financial understanding and emphasises the need for cost efficiency. For example, the configuration’s organisations employ dedicated financial experts (“my portfolio includes finance, treasury, procurement, fleet, insurance and property and development” (INT7)) and use practices such as group procurement (“if you just got a bulk order in a bulk tender, bulk order and even travel we were to save millions by doing a national tender” (INT16)). Furthermore, in an attempt to address the perennial challenge the nonprofit sector faces, a dearth of resources, the Contemporary organisation also deliberately focusses building income streams that
provide recurrent funding: “planning what the calendar of events is going to look like, see if we got enough activity to match the fund raising that is going be required” (INT3). It is important to note that the incoming resources, like those in any nonprofit, are directed at service delivery. However, the Contemporary organisation also emphasises seeking out resources that allow it to develop its capacity through investments in its personnel or infrastructure: “the stimulus package money for instance was capital funding and that’s allowed us to do some significant infrastructure projects” (INT7). The approach aims to build future reserves and facilitate survival: “keep doors open” (INT1).

Intended and Unintended Consequences

Acceptance of for-profit business practices links to advantages for the service delivery and functioning of the Contemporary Nonprofit. Clarity in job roles and formal agreements, along with improved infrastructure, have a positive impact on work environments and, in turn, on the services that organisations provide: “help the people that you employ to do their job to the best of their capacity, you don’t want those to be barriers to them. They’ve got enough other challenges that they have to face in their job that you don’t want to have a computer that is going in a snail’s pace” (INT21). More importantly, accepting business practices builds the confidence levels of organisational representatives and encourages them to stand up to the demands of donors and other stakeholders: “No, I’m not going to do it … it’s signed of this money for these deliverables, don’t come in here telling me how to do business” (INT14). Practices such as future planning and clear strategic direction help the configuration grow and allows the configuration to provide large-scale services and increases its political access: “The fact that we are the largest provider in Australia actually has been very beneficial because of course that means that people talk to us” (INT12).

However, the most significant advantages of the configuration stem from the emphasis on future planning, explicit goal-setting, monitoring and an integrative approach to functioning. The findings show that this allows them to present a cohesive and proficient front to all stakeholders: “we converted ourselves to have a
big gala at [location of event] with 570 people and just the professionalism of that, to raise a fortune by doing it, but people come into the event and going, “wow!” little old [Org7] has put on this event in [location of event]” (INT23). It also allows all the people associated with the organisation to understand systems and processes and adds to an increased sense of control. For example, a well-defined structure and clear lines of authority provide clarity to people, thereby reducing chances of friction: “we’ve got this new structure which is good it’s a lot clearer you know we’ve got very clear reporting lines, one person reporting to one person” (INT7).

The findings further reveal that the underlying pull of efficiency, which embraces practices such as resource and financial planning, helps the configuration to build its capacity and become financially stronger. For example, it allows investment in infrastructure while reducing unnecessary tasks and wastage of already scarce resources: “almost halved our cost of fundraising and almost, and had a 50 per cent increase in our revenue” (INT15).

As with the Traditional Nonprofit, the findings suggest that the Contemporary Nonprofit faces some unintended consequences. The findings reveal that the pull of efficiency and its resulting practices make it difficult for the Contemporary Nonprofit to prioritise client care and stay true to its social mission: “I suppose the goal post shifts for them a little bit” (INT18). For example, in attempting to integrate services or become more efficient, the Contemporary Nonprofit may have to cut services that its clients need on the ground: “to pull the pin on this program after two years would be, would be quite sinful” (INT18). Similarly, rigidity and formalisation of processes, along with legal issues, can detract from service delivery: “it’s not really about ownership and it’s about the client not whose name is on some document” (INT20).

Pressures such as adherence to donor regulations and performance measurement add to this challenge, as they compel the Contemporary Nonprofit to pursue goals that stem from donor requirements rather than the needs of the clients it seeks to serve: “so the government can take that as an outcome, send that out to finance and say yes we’re doing our job, but really for the client who is getting three hours a week work, that’s not an employment” (INT20). The findings further show that, in an
attempt to appeal to donors (such as corporates), the Contemporary Nonprofit directs its marketing and promotion activities towards them. As a result, the organisation’s overall image aims to suit donors, a practice that links to the alienation of community and clients: “you have to look corporate, you have to behave in a corporate manner, but the families that you are working with are not a corporate” (INT18).

The Contemporary Nonprofit also faces unintended consequences that impact its functioning. To illustrate, the findings indicate that the Contemporary board is heavily involved in strategic direction and making key decisions that impact the running of the organisation — to the extent that it can often be controlling: “the board can be very annoying and this is how you do it that way, but it shouldn’t be done this way” (INT16). The backgrounds of these skills-based individuals also mean that they have preset ideas of how and what to do, which makes it difficult for them to adapt or change: “I guess it’s fair to say that there were some individuals who felt threatened” (INT6). Furthermore, the business-oriented approach causes conflict between the social focus and organisational priorities of the Contemporary Nonprofit. As a result, this configuration constantly struggles to manage multiple expectations: “it is very tempting sometimes to make decisions that are purely driven by market considerations or financial consequences etcetera” (INT12). Other organisations in the nonprofit landscape, particularly Traditional Nonprofits, do not perceive this focus on business-oriented approaches positively: “the sector itself is generally antagonistic towards business” (INT12). The findings reveal that this acceptance results in strained relationships with other organisations, who are unhappy with the efficiency-driven priorities: “they have lost sight of who they are because they’ve moved on to bigger and better things” (INT18).

The findings further suggest that the pull of efficiency, which supports practices such as formalising systems and processes, can also lead to issues among the people associated with the configuration. For example, the additional administrative and reporting responsibilities mean extra burden: “it’s just more of a pressure for as a worker that you’ve got to be doing both” (INT17). Similarly, practices such as implementing directives that recommend service reduction can lead to dissatisfaction
and frustration among employees and volunteers: “come down and see, come and have a look at what we do and the way that we do it and then tell me why you would want to cut it” (INT18). In some cases, this can even lead to their resignation: “some staff just went; don’t like this new organisation see you later, so they left” (INT24).

The Hybrid Nonprofit - Configuration profile and representative practices

The Hybrid Nonprofit configuration is a manifestation of the Hybrid school of thought. The pull of sustainability underlies it and, consequently, it emphasises the importance of combining social passion with business acumen to create social and economic benefits. The Hybrid Nonprofit commonly appears as an organisation with two arms, one involved in the service delivery and support services and the other involved in commercial activity. The former serves as a parent body independent in its everyday functioning (except when receiving profits from the commercial arm) and reflects attributes of the Traditional and/or Contemporary Nonprofit. The latter can be a profit-generating business or service with the potential to provide increased access to resources, alternative sources of funding and, in turn, autonomy: “my main job here with [Org7] is to make money to enable them to do their business so how I do that is we have a number of different revenue streams that come in” (INT23). Together the two arms constitute the Hybrid Nonprofit configuration and endorse the views of scholars who embrace commercial activity and revenue generation as means to deal with resource constraints and make nonprofits self-sufficient (e.g., La Barbera, 1992; Dees & Elias, 1998; Eikenberry & Kluver, 2004; Emerson & Twersky, 1996; Jaskyte, 2004).

From a Governance perspective, the Hybrid Nonprofit relies primarily on guidance from its parent body and adheres to the parent bodys’ overarching principles: “we try and you know live by the [Org7] philosophy” (INT23). The findings, however, reveal that this results in some areas of overlap between the commercial and service delivery arms: “I follow web policies and procedures, all the staff follow the policies and procedures, but we don’t get that involved in the daily operation of the [Org7]” (INT23). Similarly, it may use its status to engage stakeholders (“We certainly leverage the fact that we are a charity” (INT13)) and recruit volunteers (“so we sent
our request to the volunteering department and we’re opening the new thrift shop we need five retail staff on these days, we need assistance with this” (INT23)). For the most part, however, the two arms function independently of each other (“this role is not involved in service delivery in any way, shape, or form” (INT13)) and the managers of the commercial arm treat it like any other business (“I treat every one of those businesses as a business, they to me if it’s not making profit I need to fix it” (INT23)).

Consequently, the commercial arm’s day-to-day activities focus on commercial goals and aim to secure financial support for the service delivery arm. For example, the Planning practices focus on generating revenue and reaching targets (“I need to figure out a way to make that business profitable because my job is to raise revenue” (INT23)), while the Performance measurement practices reflect similar priorities, with sales targets and quality control being important yardsticks (“what we focus on is quality so we are very careful what we put in the stores” (INT13)). There is also a clear emphasis on customer satisfaction: “If we can’t supply everything we send an email telling them we can’t supply everything so they know” (INT23).

Similarly, the arm’s Operations and structure reflect the dynamics of a business involved in the sale and purchase of products and services: “Monday morning I’m going to come in and I’m going to have 400 orders from the online shop, I know I’m going to get everybody charging getting that in, I know I’ve got pickers coming in to pick and pack” (INT23). These dynamics include practices such as stock and sales tracking and, more importantly, catering to the needs and demands of customers. For example, an organisation that sells clothes in more conservative cultures provides products accordingly (“In PNG you can’t send a dress that doesn’t have straps” (INT13)), while an online business needs to demonstrate relevant competencies (“You can buy it from our website, I’ll put it on for you it will be available in 15 minutes” (INT23)).

Resources seem to be revenue-generating activities (“Refocussing our fundraising activities and strengthening our commercial enterprises has been vital to ensuring sustainable revenue to fund our work” (Ext 5.6: 2)) as well as support from
volunteers, who, in many cases, are the backbone of an organisation (“We are very heavily reliant upon volunteers...we also have a team of volunteers that assist and also ship the stock we purchase, we have a team of volunteers that mark off the stock to make sure it’s done” (INT23)). Since these activities are run like any other business (“we have the same philosophy as any retailers—you got to be able to get your margins” (INT13)), the Hybrid Nonprofit engages in cost-management practices (“Our financial security and independence is maximised through effective cost management” (Ext 5.6: 16)). These include procuring cheaper goods (“I have been to China to say specifically for the towel sets” (INT13)) and striking deals with companies to gain discounted items (“[A large furniture store] have placed an order with JKL (name withheld to preserve anonymity), a furniture company, and then they cancel that order” (INT13)). The resulting income funds the operating costs of the commercial arm, and the remaining funds are directed towards the parent organisation: “it still generates a reasonably significant amount of money for it to spend how it wishes” (INT14). The findings reveal that the profits help develop infrastructure and build capacity and that they support services that do not receive any external funding: “it’s a general principle we shouldn’t be putting too much of that money towards services that are funded by government” (INT13).

**Intended and Unintended Consequences**

The findings reveal that the Hybrid Nonprofit is able to generate “autonomous” revenue. The findings indicate that proceeds from the commercial arm are growing and contributing to the overall budgets: “the surplus of the return from the business is also growing from about three and a half million to probably seven or eight million now” (INT14). Furthermore, the organisation receives the profits: “I had no hesitation saying we own, it’s owned by the [Org7], 100 per cent of the profits come back to the Org7 and that really impressed people.” (INT23). This is markedly different from when the configuration uses other agencies or partners to generate funds: “they pay $20 for a calendar, but of that we get like 50 cents” (INT23). This additional revenue ensures continuation of service delivery and provides support to unfunded services, infrastructure development and capacity building: “turn it into one business so that the revenue from that one business belongs to one organisation. So you get rid of
the rich and the poor [the interviewee is using the business for service delivery]” (INT14).

In addition, the findings reveal that the actual transition to the Hybrid Nonprofit is riddled with challenges, some of which can threaten the sustainability of the entire configuration. For example, concerns about the sustainability of an organisation’s salaries indicate that threatening its commercial activities also threatens its services: “often people from year to year would not know whether their job was secure or not depending on how well the business was going” (INT14). The major reason for this is that the face of social business is changing: “There was a time when I first started when most of their shops were in little suburban side streets and it was somebody from the church who had a mate who knew someone who had this shop empty, here you can have it for 50 bucks, oh you are a charity, you are good people” (INT13). Today, however, the commercial arm has the same obligations as a normal business: “We do have to pay the same rent; we pay light and power as everybody else” (INT13).

These findings highlight that a social business is “a business in every sense” (Yunus, Moingeon & Lehmann-Ortega, 2010: 310). Consequently, a social business faces normal business competition and challenges: “labour costs are going up, the retail costs are going up and the margin is probably coming down, the quality of the products is questionable most of the time” (INT13). For example, if an organisation sells second hand clothing, cheaper imports that provide new clothes in the same price range mean tough competition: “if we got a dress now that’s sold for $10 new through [a for-profit clothing store], we can’t sell it for $10” (INT13). The constraints of being a social business further augment these challenges. The findings reveal that the major reason for this is the “baggage” that comes with working as a for-profit within a nonprofit landscape. These findings mirror the views of scholars who argue that Hybrid organisations face contradictory pressures from different sectors while trying to establish legitimacy within each one (D’Aunno et al., 1991). This kind of behaviour makes ascertaining the boundaries of the business difficult: “that’s not really competition” (INT13). Similarly, an organisation often must provide money to make donated items saleable, therefore incurring costs for picking up and repairing
items: “It’s not just about donating a product to [Org7], we need to be able to turn that into revenue” (INT23). However, if it refuses to accept an item that may not be saleable, it runs the risk of damaging its reputation: “the last thing you want is someone to get on to the papers, on to the newspaper and say I rang up to give the [Org7] this lounge and they wouldn’t take it. Is the [Org7] that rich that they can’t afford to take this product?” (INT23). The Hybrid Nonprofit is also restricted in terms of sources of supply. For example, it may have an exclusive partnership with a company that supports its social cause but, as a result of this exclusivity, it is unable to stock products from that company’s competitors, thus alienating certain customers: “on the business point of view if I was selling a lot of other brands [product] I’d be on a level playing ground because you got to understand there’s a lot of other people out there doing what we do” (INT23).

These findings suggest that, even when an organisation functions in a retail space, it works under different rules. For example, the unusual nature of a workforce that combines paid and voluntary staff to run a business means that the commercial arm, being responsible for revenue generation, is itself dependent on volunteers: “thank god it’s driven off the back of volunteers” (INT14). If the Hybrid Nonprofit is meant to provide its parent organisation with sustainability, this is a particularly worrying finding.

CONTRIBUTIONS AND IMPLICATIONS
This paper both contributes to the theoretical development of the nonprofit field and also raises significant implications for the debate concerning nonprofit management and their sustainability. It begins with the premise that nonprofit management is guided by three different schools of thought and then show how these relate to three distinct configurations, each of which is underpinned by a theme. The configurations elucidate the distinctive practices, relationships, interactions and consequences that mirror each school of thought. Considering that the three schools of thought co-exist and continue to guide nonprofit management, their manifestation in the form of organisational configurations may help to explain the inherent tensions and conflicts faced by nonprofit organisations. Advocates of configurations note that configurations are meant to simplify diverse parts into distinct groups, rather than to serve as all-
encompassing catalogues of organisational types. Miller (1996: 505) explains this further: “the configurations I proposed were not intended to be exhaustive, but merely illustrative of important relationships”. Configurations, therefore, are useful in drawing important distinctions among types of organisations and in illustrating those organisations’ internal interdependencies and complexities (Miller & Friesen, 1978). This, in turn, allows configurations to classify organisational patterns and create “order out of the potential chaos of discrete, discontinuous, or heterogeneous observations” (Tiryakian, 1968: 178). Since there are concerns about fragmentation of the extant literature, and since nonprofit management practices are diverse and often contradictory, the development of nonprofit organisational configurations is particularly valuable.

Second, the paper highlights the intended and unintended consequences that can either benefit or prove detrimental. This can help practitioners assess choices and make informed decisions. Managers in particular need to be made aware of the potential pitfalls so that they can manage them and potentially reduce the risks of implementing solutions without considering the context of their application and in turn facing untoward or negative consequences (Beck, Lengnick-Hall, & Lengnick-Hall, 2008; Ferris, 1993). The intended consequences can help the organisation identify its strengths and harness positive results. The unintended consequences can educate practitioners about the potential pitfalls of the practices they choose to implement and how to actively minimise risks. For example, an organisation which closely resembles the Traditional Nonprofit could initiate relationships with funding bodies and highlight its ability to deliver grassroot impacts and build relationships with the community. It could also focus on issues, such as lack of growth opportunities for its personnel, and seek out partnerships that provide it with infrastructure support. Insights from the framework can therefore make organisations aware of potential consequences so that they will mitigate risks accordingly.

These contributions suggest that further exploration of the nonprofit management configurations can provide useful information about not-for-profit practice. Two research areas in particular are worth future attention. First, though the findings provide promising insights, the investigation was conducted within a limited number
of Social Service Nonprofits’s based in Australia. As such the three configurations can be examined in further depth. Second, each configuration can also be understood as a pure or ideal type – “a theoretically consistent combination” and as with all ideal types, real-life organisations may not fit into a single configuration (Mintzberg, 1979, p.304). For example, the interviews conducted for this paper reveal that organisations often demonstrate a combination of configurations or experience a transition among them. What happens when an organisation is guided by more than one pull and has attributes of more than one configuration? How do these differences impact managerial decision-making? What does it mean for the clients who are dependent on the nonprofit? Future research could benefit from examining this complexity further. The nature of the sector’s responsibilities and the duty of care that not-for-profit organisations espouse makes it crucial to understand factors that affect the quality of services provided, which is dependent on the quality of management that organises the services (Jackson & Donovan, 1999). This paper takes a first step in that direction.
### Table 3: Organisation functions and Practices

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<th>Practices</th>
<th>Traditional</th>
<th>Contemporary</th>
<th>Hybrid</th>
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| **Governance** | Board characteristics and recruitment  
Founders, family and friends and community members  
Voluntary  
Mission-driven  
**Board Responsibilities**  
Token engagement in managerial decision-making  
Not much input into planning and strategic direction | Board characteristics and recruitment  
Individuals are elected, appointed or nominated as per their skills and organisations needs  
Could be renumerated or expenses paid  
Skills-driven  
**Board Responsibilities**  
Involved in strategic direction  
Appointment of CEO/restricting etc. | Board characteristics and recruitment  
Depends on the parent organisation  
Voluntary and/or renumerated  
Skills-based with a business focus  
**Board Responsibilities**  
Involved in business decisions |
| **Planning and performance measurement** | Approach and focus  
Simple and short term  
Minimal emphasis on planning  
Focus on clients  
Quality and Impact of services  
**Implementation**  
Consultative with community and adherent to service standards/ rudimentary | Approach and focus  
Formal and long-term  
Strategic clarity and direction  
Monitoring of performance  
**Implementation**  
Consultative across organisation  
Sophisticated and well-developed | Approach and focus  
Customer-focused  
Generating revenue and reaching targets  
**Implementation**  
Integrative across organisation |
| **Operations and Structure** | Focus and Approach  
Community-focused  
Informal - Unclear structure  
Flexible  
Unclear systems, procedures and processes  
**Decision-making practices**  
Decentralised  
Silod | Focus and Approach  
Evidence-focused  
Reduce risk/organisational focus  
Formal - Clear structure  
Integrative  
Clear systems, procedures and processes  
**Decision-making practices**  
Centralised  
Synerised | Focus and Approach  
Business-focused but not involved in service delivery  
Caters to customer requirements  
Independent to ‘social’ arm  
Like any other business  
**Decision-making practices**  
Detachment between service delivery and business arms  
Little overlap with rest of the organisation |
| **Resource** | Primary source (Input)  
Individual and community donations  
Government support  
**Financial systems**  
Basic  
Ad hoc  
**Usage (Output)**  
Focussed on service-delivery | Primary source (Input)  
For-profits  
Government support  
**Financial systems**  
Sophisticated  
Planned with an emphasis on saving, cost efficiency and recurrent sources  
**Usage (Output)**  
Focussed on capacity building and future reserves | Primary source (Input)  
Revenue through commercial activities  
Revenue through linked activities (renting out office space)  
**Financial systems**  
Basic or sophisticated  
**Usage (Output)**  
Untied funding is spent on operating costs and unfunded programs |
Table 4 Intended consequences and unintended consequences

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<tr>
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<th>Intended</th>
<th>Unintended</th>
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<td><strong>Traditional</strong></td>
<td><strong>Service Delivery</strong></td>
<td>Strong relationships with client and other organisations</td>
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<td><strong>Functioning</strong></td>
<td>Organisational unity and sense of purpose</td>
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<td>Emotional Satisfaction</td>
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<td><strong>Contemporary</strong></td>
<td><strong>Service Delivery</strong></td>
<td>Better support for service delivery</td>
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<td><strong>Functioning</strong></td>
<td>Confidence and clarity in staff</td>
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REFERENCES


The Dawn of Nonprofit Social Enterprise in Cambodia? The Process of Commercialization in the Nonprofit Sector

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EXTENDED ABSTRACT

NGO funding from donations and grants (membership fees included), particularly from foundation grants, not only are unpredictable and unstable but also come with sets of conditions (or strings) that can affect goals and missions of recipient NGOs (Froelich, 1999). As a result, some NGOs have turned to alternative sources of funding such as sales of good and services as well as government funding (Froelich, 1999; Viravaidya & Hayssen, 2001). In this process, there is a variety of organizational forms that has emerged through this process; two common ones referred to as social enterprise or social entrepreneurial organizations.

The increased evidence of commercialization among nonprofit organizations “is bringing a shift in financial dependence from charitable donations to commercial sales activity, with little-recognized consequences” (Weisbrod, 2000, p. I). Moreover, not much is found in the literature on how the ventures in social entrepreneurship by nonprofit organizations evolve in the process of development and learning (Di Zhang & Swanson, 2013). Much of the literature is based on the American and European contexts with “liberal” and “cooperative” economies respectively (Lepoutre, Justo, Terjesen, & Bosma, 2013) and where social enterprises have well developed. Some scholars (Lepoutre et al., 2013; Mair & Marti, 2006; Mair, 2010) suggest that level of economic development, social, political, cultural context are factors that shape social entrepreneurship. We were intrigued by the fact that there is only a minority of empirical studies on social entrepreneurship in nonprofit organizations in other parts
of the world. Particularly, experience and lessons from countries in the East and Southeast Asian regions where the context and background differ greatly potentially bring additional value and insight to the current scholarship and practical development practice in the region and elsewhere.

To contribute to fulfilling this gap, in this paper we aim to analyse the prevalence of commercialization of the nonprofit sector and the impacts of this transformation on the mission, autonomy, programme and financial sustainability of organizations in different sectors in Southeast Asia using Cambodia as case study. The data used is the product of a large-scale quantitative survey and qualitative key informant interviews with NGO leaders and administrators of NGOs in five regions across Cambodia. We also base our analysis on resource dependence and institutional theories to explain the emergence and roles of social enterprises.

Research findings from the survey reveals that one-fifth of the sample organizations generate income from sales of goods and services. Comparing to a secondary data generated from a previous survey on NGO funding sources conducted five year earlier (CDC, 2006), commercial activities jumped 15% from just 6% in 2006. Main activities of the commercial engagement fall dominantly in tourism and hospitality, education and vocational training, and agriculture and fishery. Striving for sustainability is the most common reason as indicated by more than half the NGOs interviewed.

SE has brought about many impacts on the NGO management, governance and human resource. Structurally, they have both expanded in scale and have become more business-oriented which is evident, for instance, by the presence of (social) marketing staff or team. More well established organizations separate their social business from the NGOs by hiring a business manager or director to be in charge of the business. The impacts of SE extends beyond the organization level. Beneficiaries, communities and other stakeholders also receive the impacts from SE.
These include but not limited to employment, vocational and technical training, soft skill development, income, and support for business start-up. The transformation to social enterprises of some NGOs indicates a shift in development paradigm: from (dominantly) donor-dependence to organizational autonomy, self-sufficiency and programme sustainability.

The article extends existing literature on resource dependence by revealing the efforts of local NGO leaders in diverting external control caused by being too dependent on foreign aid and, instead, turning to earned income. The study also has important policy implications concerning regulating NGOs’ related and unrelated business activities. There are also implications for development practitioners and nonprofit organization leaders on how to capture the most potential and minimize associated risks of social enterprises in countries of similar context.

REFERENCES
Is the Pursuit of Legitimacy Still an Adequate Response to Contemporary Challenges of Social Enterprises? Lessons from Engaging with Gramsci and Bourdieu

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ABSTRACT
Social enterprises have attracted growing interest from policy makers, practitioners in the public, private and third sector, as well as academics. Social enterprise leaders or managers often act as ‘change agents’, therefore, ethical frameworks within which they develop, sustain and grow their organizations become important. The theoretical underpinnings of our inquiry are based on premises of Gramsci and Bourdieu, and the ways in which commonality in their conceptualization of structures of power and legitimation highlight relevant aspects for social enterprises. We explore the above topics, drawing from data obtained in the context of 6 social enterprises in the UK.

KEYWORDS
ethical frameworks, social enterprise, legitimacy, hegemony, UK
INTRODUCTION AND PROBLEMATISATION

The increased scholarly attention on social entrepreneurship and social enterprise has led to the development of various studies aimed at deepening the understanding of the process and characteristics of their different organisational forms and models. Social enterprises often emerge as a business expression of a social movement addressing a social and/or environmental need (Leadbeater, 2007). The ‘dual nature’ of social enterprises has encouraged interdisciplinary perspectives that transcend boundaries of the individual domains of entrepreneurship, sociology and social movements, and non-profit management (Mair and Marti, 2004; Perrini, 2006; Dacin, Dacin and Matear, 2010). At the same time, it also raises underlying tensions between ‘social’ and ‘business’, and hence any approaches to sustainability and growth of such organizations are inherently linked to addressing the issue of ethical imperatives of the enterprise and the entrepreneurial activity (Chell, 2007). Alongside the increase in discourse on social enterprise comes a belief that capitalist systems have become more unethical. As Banks (2006, p 456) states: ‘A widespread belief is that rampant individualization, a culture of self-interest, and the primacy of market rationality have rendered the economy more unethical and immoral’.

On the other hand, institutional mechanisms can be identified within state administration, neo-liberal economics and third sector policy initiatives which have grown to support social enterprises, such as the ‘Social Enterprise Mark’ and structures or mechanisms such as the Social Enterprise Coalition (SEC) (Bland, 2010). The formation of these institutional mechanisms may well be performing a critical function of reducing uncertainties and establishing conditions that enable the actions of SE actors- although, such mechanisms could, in reality, be, in effect, undermining the very purpose of a SE through a structure of incentives and opportunities (Urbano, Toriano and Ribeiro Soriano, 2010). The extent to which such institutional frameworks are providing the cognitive and ethical legitimacies required by a social enterprise- which would be essential for new organisations to overcome their initial vulnerability- is still questionable (Bruton et al, 2010).

Departing from a Gramscian (1971) concept of ‘historical bloc’, which is defined as the unity between structure and superstructure, the beneficiaries of a given economic structure are supported by a superstructure comprised of a coercive and
discursive, ‘hegemonic element’, in Gramsci’s terms. According to Gramsci, institutional structures and frames do not simply emerge. Rather, they are created, maintained and organized by a ‘historical bloc’ with economic, political, coercive and discursive resources (Whelan, 2013). We should be able to understand how these institutional frameworks serve to create and perpetuate the legitimacy issues faced by social enterprises.

As argued by Venkataraman (2002, p. 46), ethics and entrepreneurship represent two sides of ‘the coin of value creation and sharing’- ethics being ‘the systematic categorization of morals, the socialised moral norms that reflect the social systems in which morals are embedded’ (Anderson and Smith, 2007, p. 480). As social enterprise leaders or managers often act as ‘change agents’, ethical frameworks with which they develop, sustain and scale up their organizations become fundamentally important. Such ethical frameworks that can help social enterprises reconcile social action and enterprise logics and also achieve social change (thus becoming part of a ‘counter hegemony’); at the same time, the ways in which social enterprises gain and maintain their legitimacy are important to study. We make an original contribution to the field by responding to challenges identified in prior research, in terms of the legitimacy of social enterprise, as this is highlighted in its departure from the established institutional-based discourses on social enterprise towards the yet largely under-examined discourses of leaders-managers of social enterprises.

Social enterprises and social entrepreneurship in the new global reality: ethical considerations

Social enterprises emerge in heterogeneous contexts. Geography, political economy as well as historical and social context have a role to play in the field-formation of social entrepreneurship. Social enterprise in the UK focuses mostly on the move from grant dependency (Tracey, Philips, Haugh, 2005) (distinction between ‘the economic’ and ‘the social’); trends in continental Europe focus on the ownership and governance models of cooperative forms (Borzaga and Solari, 2001) (‘participation’ and ‘representation’), whilst trends in the US, concentrate on social innovation (Baron, 2005; Zahra, Gedajlovic, Neubaum and Shulman 2009) (‘change agency’ and ‘leadership’).
Within the contemporary global economic and business climate, various socio-political responses to ‘crises’ have been redefining the ‘field’ within which entrepreneurial activity takes place. Following Gramsci’s conceptualisation, both of the fields of entrepreneurship, and social entrepreneurship -for the purpose of this paper-, represent ‘historical blocks’, which have a dualistic sense of tangible organizations and strategic alliances among dominant actors, as well as the alignment of economic and ideological forces underpinning them, and their co-evolution in response to crises. In this evolving field, there has been further realisation and legitimisation of the link between society and business, as well as the ways in which global political agendas have been influencing businesses both in terms of their strategic orientation as well as their operational workings. The UK Coalition Government’s discourse of ‘Big Society’, Obama’s Social Innovation Fund, the EU’s integration of social innovation into policy (Hubert, 2012; Shaw and de Bruin, 2013) as well as related bespoke funding schemes, exemplify these political and economic agendas. The influence of wider instruments such as the Global Compact or the GRI/G4 index are also examples of such trends, together with the influence of institutions such as the World Economic Forum and the WTO which help shape new operational fields of economic development (Mueller, 2002). These developments are a part of a more general trend to establish the ‘human face of capitalism’ (Brittan, 1996), within which sustainability and accountability become imperatives of social as well as economic importance (Shaw and de Bruin, 2013). Additionally, several attempts to establish a moral and ethical rights on the transnational level is taking place concurrently, particularly in the form of global charters of human rights (Donaldson and Dunfee, 1994).

Within this new ‘global reality’, Meier (2012) identifies a field of domination by neo-liberal politics exercised via hegemony and coercion, in the typical fashion of a Gramscian analysis (1971). This field, which is institutionally defined and re-created, provides legitimation and support for social enterprises in terms of action and discourse. This ‘institutional’ legitimation serves the need to adequately represent stakeholders in an all-inclusive manner that comprises their related agendas, to the greatest possible degree. Hervieux, Gedajlovic and Turcotte (2010) identified that academics, policy-makers and institutions concur in legitimizing the composite nature of social entrepreneurship through an institutional focus on both (a) social
aspects (mission, value, empowerment, initiation of social change), and (b) commercial aspects (innovation, socioeconomic organization, commercial and business sustainability). However, Hervieux et al (2010) also maintain that the extent to which, micro-discourses of social entrepreneurs validate- or are influenced- by those institutional legitimation discourses is still under-researched.

The ways in which growth, development and sustainability is viewed and operationalized by social enterprises is also another terrain upon which their composite identity and needs for legitimation are mapped. Legitimacy reflects embeddedness in a system of institutionalised norms and action scripts (Suchman, 1995). Other emerging norms in the social enterprise domains, which are increasingly becoming more institutionalised, include surplus regeneration, market and business focus and self-sufficiency in terms of funding (Dart 2004; Luke and Chu, 2013). This raises issues and questions for developing distinct identities and institutional logics by social enterprises. Moss, Short, Payne and Lumpkin (2011) distinguish between a ‘normative’ (communitarian/beneficiaries-focused) identity of social enterprises and a ‘utilitarian’ (economic rationality-focused) one. Despite differences in definitions and approaches to value creation, all SEs share a common focus on the creation of social value, rather than personal and shareholder wealth. Such a focus is mirrored in their mission statements (Defourny and Nyssens 2010), resource mobilization strategies and the measurement of performance (Austin, Stevenson and Wei-Skillern, 2006) and hybrid models of for-profit and not-for-profit activities (Perrini, Vurro and Costanzo, 2010).

Social entrepreneurship leadership and capitals

An extended model of the theoretical framework of bricolage in entrepreneurship studies (Di Domenico, Haugh and Tracey 2010) to the specific arena of social entrepreneurship identifies the key constructs of “making do, a refusal to be constrained by limitations, and improvisation” as the characteristics that epitomize the process of creating social enterprises, alongside constructs such as “social value creation, stakeholder participation, and persuasion”. To this end, agency is a key to resource acquisition and construction. Di Domenico et al. (2010), drawing on Cleaver (2002, p.20), argue that “the concept of bricolage implies an active assembly of parts, the adaptation of norms, values and arrangements to suit a new purpose”.

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Using resources at hand and recombining them for new purposes is fundamental to creating social value in resource-poor environments and achieving financial sustainability. This dynamic use and exchange of resources by social enterprise bricoleurs, within their environments, reflects a recognition of institutional pressures (Douglas, 1986) in which the social entrepreneur moves beyond the constraints of institutional rules and structures to fashion its own bundle of resources and repertoire of strategies and activities. Dees (2001: p.3) states, “For social entrepreneurs, the social mission is explicit . . . mission-related impact becomes the central criterion, not wealth creation”.

In the pursuit of their social mission, social entrepreneurs are conceptualised as a ‘special breed of leaders’ (Dees, 1998). They are essentially leaders that enact change at community levels which are supposed to be distant or removed from power structures (Alvord, Brown and Letts 2004). In this regard, their capability to buy-in individuals at the field-level is critical to the success of social entrepreneurship and is consistent with the principles of grassroots leadership. Similarly, in other contexts, entrepreneurs that are engaged in ecologically-centred enterprise development act as bottom-up leaders seeking to influence sustainability through entrepreneurial strategies.

Undoubtedly, the kind of actions that social entrepreneurs are engaged with, require essential leadership skills. The leadership styles can be characterised as visionary, transformational leadership (Burns, 2003; Bass, 1990) with an egalitarian and participatory ‘flavour’. Such leadership styles will have to accommodate and reconcile conflicting demands: the creation of social value and the economic sustainability of the enterprise. In this regard, leadership skills such as accepting, differentiating and integrating competing demands are critical to the management of dualities in social entrepreneurship (Smith et al., 2012). Accepting involves viewing both social and financial demands as simultaneously possible. Differentiating entails recognizing the unique contributions of each demand. Finally, integrating focuses on bringing social and financial demands together such as that conflict between them becomes productive rather than intractable (Smith et al., 2012). Additionally, several authors claim that the juxtaposition of such tensions can be a source of organizational success (Cameron, 1986). The integration of opposing forces can
encourage novel, creative solutions that ultimately enable long-term organizational sustainability (Smith, et al, 2011).

Furthermore, it is argued that leaders of social enterprises very often embody the characteristics of a servant, steward, change agent, citizen and visionary (Maak and Stoetter, 2012). A servant leader serves his constituencies and how these individuals grow to become leaders in their own right. A steward leader is aware of the fact that he is entrusted with upholding core values and resources and that his success as a leader will depend on his achievements in enriching an organisation. A social entrepreneur is a responsible social change agent. A visionary leader has an ambitious and desirable vision that very often has to be brought to life in complex development contexts. Social entrepreneurs also engage in transformational leadership, showing passion, inspiring others and building relationships (London, 2008). They seek resources from like-minded individuals and groups, developing and coordinating support structures when necessary (London, 2008). In the process, they develop skills that are vital for successful advocacy, such as communications, transformational and transactional leadership, teambuilding and openness to new ideas and continuous learning. Advocacy and leadership skills are important for social entrepreneurship initiatives, for communicating their vision, securing support and resources, and organizing goal-centered tasks (London, 2008).

In non-profit sectors, scholars have emphasised that leading founders have imprinting effect on their firms, setting them on trajectories from which it is difficult to depart (Boeker, 1988); yet others suggest that founders have no enduring influence on their firms because organizations are malleable, sensing and reacting to changes in the environment (Teece, Pisano and Shuen, 1997). Surely, charismatic leaders will have the ability to change the course of a firm at any time (Ensley, Pearce and Hmieleski, 2006), but the decisions that they make in the early years of an organization may both shape its subsequent characteristics and constrain its range of future options (Kimberly, 1980; Miles and Randolph, 1980). Furthermore, in the specific domain of social entrepreneurship, that the leader – our social entrepreneurial bricoleur - plays a pivotal role in ensuring the initial legitimacy of the social enterprise and the subsequent transformation of capitals in order for the socially entrepreneurial venture to develop beyond the initial stages; legitimacy is
“often a critical ingredient for new venture success” (Starr and MacMillan, 1990, p. 83) and organizations deemed legitimate are eventually able to attract the resources that they need (Stinchcombe, 1965). This is even more crucial in the specific case of the social bricoleur who operates in contexts characterised by resource constraints. (Packalen, 2007) has emphasised that company’s legitimacy originates in large part from the past accomplishments and achievements of its founding team’s industry status, entrepreneurially relevant demographic features and social capital that determine a company’s initial level of cognitive legitimacy (Packalen, 2007). In the specific case of social enterprises, the firm’s legitimacy and its capacity to attract resources will initially depend on the leader-founder’s social capital and unconventional strategies to build human capital, which will also be based on ethical capital. Furthermore, following Bull, Ridley-Duff, Foster and Seanor (2010) the human capital, is but one of the capitals which are influenced by ethics within social enterprises, and which define the conceptualisation and mobilisation of resources, which are of physical, economic, intellectual and social nature. In Bull et al’s (2010) conceptualisation, ethical capital incorporates the ‘moral agency’ in social enterprises, and organisations in general, and gives them a kind of ‘stock’ in times of recession.

Insights from Antonio Gramsci and the issue of legitimacy for social enterprises

In terms of UK government policy, social enterprises have been hailed as the new way forward for solving societal issues. This is evidenced in new laws being passed and white papers that specifically promote the use of SE, the Public Services (Social Value) Act 2012; Health and Social Care Act 2012; The Localism Act 2011; Open Public Services White Paper (2011). The aspiration these Acts describe is that social enterprises will bid to deliver public services and programmes previously run by central and local government; the main aim for public sector workers would be to set up social enterprises or mutuals, bringing their previous experience and knowledge to bear in the expectation that, freed from government bureaucracy (local and central), they will be more efficient, customer-focused and innovative. This wide appropriation of social enterprise in the economy could become a mechanism for a dominant group to maintain their status, whilst turning social enterprise towards a ‘re-
engineering’ mechanism, possibly rendering them to be subdued by the forces of institutions. This increased appropriation of social enterprise in meeting societies’ interests can be observed in the very comprehensive institutional support structure that has been developed in the UK (Nicholls, 2010). This trend has directly supported by government since 1997, as a policy of the New Labour (Teasdale, 2011), and has continued with the coalition government supporting SE through the new office of civil society. One relevant example is ‘The Big Society’ encouraging innovative forms of public service provision by social enterprises, co-operatives and the voluntary sector. Although this can be viewed as a positive development in terms of institutionalizing social enterprise activity, one major critique of this approach has been that the ‘social enterprise model’ has been promoted in order to deliver some of the public services in the context of public spending cuts and austerity measures; this has largely taken place without equipping the existing public sector organisations with knowledge and tools behind these models, yet, it has been used as a tool to legitimize social service delivery with dedicating less resources from state. Although the primary objective of such a movement has been to ‘empower communities’, in many ways, it has also been seen, by many, as another institutionalized approach to cost-cutting, which highlights a host of issues and questions surrounding hegemony and legitimacy. The question remains as whether social enterprise models applied by neo-liberal governments complement their dedicated efforts for reducing public spending often manifesting in the curbing of state provision of, and support for, social, educational and health care services (Shaw and de Bruin, 2013).

From this point of view, what might happen to social enterprise today could begin to look uncannily like what has happened to previous waves of change, which were eventually subdued by ‘the forces of institutions’ (Reid and Griffith, 2006). The focus of the dilemma is, on the one hand, the extent to which the causal powers of an institution can encourage a social enterprise to conform to a set of norms and behaviour conducive to their policy. On the other hand, it is also whether the continual debate on social enterprise definitions and remits represents a reflection of a more deeply rooted ‘ethical framework’ that the institutions are unable to fully comprehend. Organisations often attempt to seek an advantage in labelling themselves as a social enterprise because it might be seen as legitimate (Dart, 2004), whilst, in reality, a number of such organisations are often just departments
or subsections of local authorities and other large social service organisations (Dart et al., 2010). At present this discourse is reflected in the current literature through a ‘grand narrative’ that employs vehicles of policy and operational issues, including extensive examination of how a social enterprise should be defined, (Teasdale, 2011, Hervieux et al., 2010). Less attention, however, has been paid to whether and how a social enterprise maintains the logic of two opposing fields, social action and business in order to achieve social change and become part of a ‘counter hegemony’, whilst at the same time gaining and maintaining its legitimacy. This lack of deeper focus on an ethical and moral framework results in a continual debate of definition and the eventual dominance of one logic over another.

The concept of hegemony has been developed by Antonio Gramsci during the period of his imprisonment by the Italians in the 1920’s (Williams, 1976). Gramsci was an Italian Marxist, who opposed the idea of economic determinism by putting emphasis on the political significance of a cultural ‘superstructure’ in dialectical tension with socio-economic material forces (Levy and Scully, 2007). His concept of hegemony, referring to the contingent stability of a social structure that protects privileged position of a dominant alliance (Gramsci, 1971) is the key to us in problematizing legitimacy of social enterprise. Gramsci’s endeavours addressed the relationship of societies with knowledge and in particular the mechanisms by which a fundamental class, or alliance of dominant groups developed over a period of time, is able to establish leadership which is distinct from the more coercive forms of domination (Boggs, 1984; Levy and Newell, 2002; Kebede, 2005). His premise is that culture is dominated by the powerful, and that appropriation of knowledge in one’s own interest allows for such dominance to persist by constraining any type of cultural, political, ideological forms and practices in a given society and yet enabling its own structural forms (Gramsci, 1985). This means that to maintain order and control of society the fundamental class cannot simply employ a physical force or institutional force. Instead, consent and stable relations with the people that are ‘dominated’ are achieved through social and economic structures that continually advantage certain groups (Levy and Newell, 2002). In Gramsci’s (1971; 1985) conceptualization, the coercive dimension is provided by the state in the form and enforcement of legal institutions, and the discursive element by civil society through the construction and diffusion of narratives that represent the current economic
structure as benefitting the whole of society. Equally, Gramsci (1971) recognizes that predominant beneficiaries of a given economic structure can make economic compromises that buy off those subordinate powers who may seek to resist, and/or overthrow, the economic structure they benefit from. This links us to the notion of counter-hegemony.

Counter-hegemony highlights that the classes which are being coerced by hegemonic structures will be creating their own collective mechanisms, in order to counter-act their effect. These classes are described as a Macchiavellian ‘Modern Prince’ by Gramsci, as explained by Thomas (2009). They have the capacity to act collectively, as opposed to a passive bourgeois class which accepts such institutional forces without reactions. The Gramscian concept of the Modern Prince, as the collective agent who transcends hegemonic socio-economic and political systems through resistance building, organizational capacity development and strategic deployment (Levy and Scully, 2007) serves to gain another understanding of social enterprises.

The link between Gramscian theory and institutional theory has been made before (Levy and Scully, 2007), and it is relevant here, as institutional theory allows for understanding the deeper and more resilient aspects of social structures by taking into account the processes by the former become established as authoritative guidelines for social behaviour (Scott, 2004; Di Maggio and Powell, 1991). At the heart of institutional theory lie the structural forces of power (Clemens and Cook, 1999; Sewell, 1992). According to several authors (Meyer and Rowan, 1991; Scott, 2007), institutional theory also examines the ways in which stability and meaning are given to social life, via regulatory, social and cognitive influences that promote survival and legitimacy of organizations and organizational practices. In this way, institutions reproduce themselves by establishing scripts, routines, disciplining deviance and constructing and imposing agents’ identities and interests (Di Maggio and Powell, 1991). Actors (individuals or organisations) that are able to go beyond such norms and rules and expand the boundaries of institutional activity are often termed ‘institutional entrepreneurs’ (Lawrence and Phillips, 2004; Greenwood and Suddaby, 2006). Parallels between institutional entrepreneurship (a separate strand of literature) and social entrepreneurship are evident in terms of core arguments, as
social entrepreneurs as change agents who actively organize and strategise counter-hegemonic challenges.

Gramsci’s notion of hegemony reflects a notion of alignment and consensual stability in which even dominant ideologies and alliances remain fragmented (Laclau and Mouffe, 1985). It is eventually this fragmentation, Levy and Egan (2003) maintain, which allows for the ‘institutional leakages’ that create the space for entrepreneurial action. The persistence of competing ideologies creates space for agency, action or resistance. From a Gramscian perspective, this can be critiqued as ‘leaders’ of such actions, concerned with sustaining and scaling up their activities over time, perpetuate some of the inequalities in the system and serve the existing cultural, political and economic discourses in order to maintain existing order. Gramsci produced writings which mirror the systemic and class-based structures of early 20th century continental Europe, in terms of the power base and the means of production engaged in its conceptualization; in order to address alignment with contemporary thought, Meier (2012) identifies exactly a change of orientation from ‘class’ to ‘field’ as one of the main ways in which a new hegemony is being built, on the basis of a compromise between ‘social groups….future generations….and the needs of the environment’ (p. 8). An example of that is given by Baur and Palazzo (2011), who have identified NGOs as the forthcoming partners of corporations in ways which are structural and procedural. For Gramsci, on the other hand, civil society is based on consent based on coercion and hegemony (Kaldor, 2003), and acts as a ‘stabilising’ force in the backdrop of the state, which helps, via its institutional and systemic organization, to stabilize it against recurrent crises.

Bridging Gramsci and Bourdieu: ‘structure’ versus ‘capitals’

Employing theoretical conceptualizations of Bourdieu in the field of entrepreneurship has been previously established, as a theoretical tool that facilitates the bridging of the structure-agency dichotomy. Karatas-Ozkan and Chell (2010) have built further on this approach by applying Bourdieu’s theory onto dispositions, capital and position at the micro-(individual) level, habitus at the meso-(relational) level and field at the macro-level, building on Ozbilgin (2006), as well as Ozbilgin and Tattil (2005). Within this conceptualisation, it is the use of symbolic capital, which mediates the functioning of economic, social and cultural capital, by legitimising these other
capitals as well as the field (Karatas-Ozkan and Chell, 2010; Nikolopoulos, 2011; Tatli and Ozbilgin, 2012); transformations of relevant capitals are also discussed by De Clerq and Voronoff (2009) as well as Karatas-Ozkan (2011). Combining theoretical perspectives of Gramsci’s theory with those of Bourdieu is not new. Glassman (2011) provided such a conceptual bridge in studying the collapse of hegemonic structures in Thailand. Glassman (2011) argued that, in particular, the dynamics of hegemony resemble Bourdieu’s ‘habitus’ in their capacity to accommodate rather than to resist social structures in a way which replicates and perpetuates dominant discourses and actions in such an ‘antithetical’ framework (p. 35). Such seemingly antithetical dynamics, however, also create the bridging space in terms of the willingness of social enterprises to gain legitimacy through practices which are institutionally acceptable in their field of operation, as well as financially sustainable. Kulothungan (2009), for example, has combined insights from Bourdieu in order to analyse two case studies of faith-based enterprises with mission orientation. In these two cases, social and symbolic capitals play a key role in terms of structuring the field of activity, as a means of responding to the entrepreneurial opportunity. The use of capitals in Kulothungan’s (2009) work has served to identify the need of the social entrepreneurs to gain legitimacy in terms of the marketplace, as well as of their self-confidence and identity in order to attain integration into the society.

Both Gramsci and Bourdieu focused on class and the establishment of ‘elites’, through different means. Gramsci (Kachur, 2002) identified the concept of the ‘organic intellectual’ as a product of the class system mapped upon an educational system which reproduces the former. Bourdieu, on the other hand, elaborated on the notion of cultural capital which is primarily (re) created by elites (Ostrower, 1998). For Bourdieu, according to Banks (2006), the employment of ‘individualistic instrumentality’ assists actors to reinforce a position and enhance their status. This concept could potentially conflate moral agency with socially entrepreneurial behavior, motives and choices for the development of social enterprise; such an ‘oxymoron’ has been also identified by Laclau and Mouffe (2001) as a tendency of hegemonic articulations to recreate interests that they claim to represent. However, in that sense, the pursuit of legitimacy of social enterprises within an established institutional context, could potentially be detrimental to their original ethical
disposition. Burawoy (2012), another scholar who identified parallels between Gramsci and Bourdieu, argued for the role of conscious choice and rationality in the establishing of hegemony and power in terms of means of production; Gramsci according to Burawoy, (2012) believed that coercion and hegemony were re-inforced on workers who were conscious about their role in the ‘reproduction of capitalism’. Bourdieu, on the other, highlighted the alignment of habitus and field on the basis of beliefs that allow for the perpetuation of the ‘status quo’. These concepts indicate to a layer of deep-seated beliefs which eventually perpetuate field interactions. It is, however, challenging to take this line of thinking because the link between what Burawoy (2012) calls ‘deep psychology’ and social order is a difficult one to make. This might be one of the significant reasons why as contemporary economic and social structures are being re-created as an effect of the on-going global crisis conditions, the expression of hegemony and counter-hegemony become more challenging to establish; throwing light on such ‘irrational’ motives, could also highlight why challenges exist in establishing a firm relationship between moral disposition in terms of the agent (social entrepreneur) and the extent to which the action and the outcome of enterprising with a social mission could, or not, be part of a counter-hegemony framework.

METHOD FOR ANALYSING THE SELECTED CASE STUDIES

Case study is a well-established research strategy in entrepreneurship research and organisation studies in general (Punch, 1998; Easterby-Smith et al., 2002). There are different approaches to case study design, such as Yin (1994), whose approach is more rooted in the positivistic paradigm and it is imbued with a deductive logic, thus, producing propositions to be tested. On the other hand, Stake (1995, 2000) views the case study as being closer to grounded research that is embedded in the interpretivist research paradigm, focusing on social constructionism, phenomenology or critical theory. Stake (2000, p. 436) suggests that a case is a ‘specific, unique, bounded system’ and that research should focus on developing as full an understanding of that case as possible. The author suggests three types of case study (Stake, 2000, p. 437-438). The first type is ‘intrinsic case study’ where the case ‘is of interest…in all its particularity and ordinariness’ and no attempt is made to
generalise beyond the single case or even to build theories. The second type is ‘instrumental case study’ in which a case is examined mainly to provide insight to an issue. The third one is ‘collective case study’ where a number of cases are studied in order to investigate some general phenomenon.

We have applied ‘the instrumental case study’ approach in this paper and we have explored the six case studies in relation to their ethical frameworks and organizational characteristics. The methods that we used include semi-structured interviews and documentary analysis. We carried out ten interviews in six social enterprises. The interviews were carried out with the social entrepreneurs or social enterprise managers. The interviews were tape-recorded and field notes were also used; then the material was analysed inductively by drawing out key themes and revisiting research questions and propositions drawn in the study. This was an iterative process, which entailed several interactions of both inductive and deductive nature. This approach is described as a milder version of grounded theory (Strauss and Corbin, 1998; Patton, 2002), and emphasises an approach that is being more grounded in data rather than stemming per se from a tightly knit theoretical framework or literature review. The recurring patterns or contrasting themes within and across the selected cases were sought after using a constant comparative method, which is embedded in the grounded theory (Strauss and Corbin, 1998) tradition. This is how Table 1 was culminated.

RESEARCH FINDINGS: CASE VIGNETTES

This section introduces brief vignettes of the six cases and is followed by detailed analysis that addresses the underlying research issues; in alignment with a phenomenological lens, key quotes are provided in this section in order to gain an insight into the ‘voice’ of each organisation, its context, aspirational character and values.

Social Enterprise 1

‘I believe this world is the world that God created. I believe that He has given us stewardship of the world so that we are responsible for all of the world’s capital and
all we must do is to work as good stewards of this world to appropriately use and develop that capital....... when people say I am into social enterprise, this means that actually you are into full and well balanced enterprise and what people call enterprise or commercial enterprise (making money) I would actually call a narrow and unbalanced enterprise....’

Social Enterprise 2

‘SE2 emerged out of a situation in the ‘90s when a number of people were involved in the very beginnings of family group conferences....a central philosophy of family group conferences is that they value participation and respecting of all stakeholders equally and that was why the department at that stage used people who were outside the statutory system and who were working on a self-employed basis to undertake these meetings, to set them up and to facilitate them.... In terms of the culture I think that really a family group conference movement as a whole is rising out of the Maori perspective of conflict resolution and decision- making which is also very similar with restorative practices and restorative justice as a value base’

Social Enterprise 3

‘Any type of operation you run effectively is a business; I think that the key difference is what your objectives are in terms of being focused on social outcomes and secondly how you actually run the operation as well because that’s got to be critical in terms of the values of the operation. I don’t think it is any good having an organisation that is focused on social objectives, and at the same time you don’t run it in a value-based way....if you look at the definition of the social enterprise mark....it is trading for people, profit and planet’.

Social Enterprise 4

‘A social enterprise is a separate company that is working in a community and delivers benefits to the community and is supporting the community. .....(where I come from).... are areas of high unemployment, lots of antisocial behaviour......you have to get these people occupied.....don’t let them hang around the streets......get them working and you could solve a lot of problems and save the government and
local authorities a lot of money......if I can embrace that, then.....SE 4 is doing more for the community’

**Social Enterprise 5**

‘The culture of SE 5 has been very social and not commercial enough....the social enterprise side comes in....trading to generate the income and using the income for social benefits......’

**Social Enterprise 6**

‘SE6 is aiming to benefit the community it serves by focusing on socially and environmentally responsible economic activity, and by developing young people.....its overarching purpose is to reduce deprivation in the area ....(where it is active)’

Table 1 contains key elements which came from analysis of the interviews, in alignment with the methodological perspective outlined above.
Table 1: Key themes in the analysis of the social enterprises studied

<table>
<thead>
<tr>
<th>Themes</th>
<th>SE 1</th>
<th>SE 2</th>
<th>SE 3</th>
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<tbody>
<tr>
<td><strong>Description of social enterprise</strong></td>
<td>Social enterprise active in publishing and related services</td>
<td>Social enterprise active in social support services via training and conferences</td>
<td>Social enterprise active in temporary relief services</td>
<td>Social enterprise active in housing, affiliated to a commercial company</td>
<td>Social enterprise active in IT</td>
<td>Social enterprise involved in local community regeneration and IT</td>
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<td><strong>Values, ethical capital, vision and leadership</strong></td>
<td>Predominant Christian values; the social entrepreneur as steward of the world’s capitals given by God</td>
<td>Maori social and restorative justice and participatory decision-making in resolving community-based conflicts</td>
<td>Alignment with the values exhibited by the Social Enterprise Mark: people, profit and planet and an overarching ‘ethical way of doing business’; leadership committed to a social purpose</td>
<td>Social consciousness about underdeveloped areas and underprivileged social groups</td>
<td>Social consciousness about underprivileged social groups in the general population; provision of housing and caring services</td>
<td>Focus on socially and environmentally responsible economic activity and the development of young people, with an overarching purpose of reducing deprivation in the area of its activity</td>
</tr>
<tr>
<td><strong>Strategic and entrepreneurial characteristics</strong></td>
<td>Whilst organisational roles had not yet been defined, various teams formed in DAM whereby people came together in an emergent fashion in order to address developmental issues and to make decisions</td>
<td>Leadership and process – related attention was being paid every time that decisions had to be made, particularly to avoid endorsing pre-defined modes of thinking; constructive criticism welcomed</td>
<td>Social enterprise engages in reflexive mode; looking at a number of areas for expansion opportunities, whilst at the same time looking at the turnover and the profitability of the operation and how fast can be grown; preparation of scenarios for ‘exit strategies’ where/ when needed</td>
<td>Social enterprise engages in exploration of business opportunities in areas related to its core one, based on one of the main governmental-based systemic enablers</td>
<td>The social enterprise often feels bound by the cumbersome procurement contract specifications</td>
<td>Social enterprise went through various stages of shaping and reshaping its business plans and propositions based on several political changes and changes of decisions about funding to be granted.</td>
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<tr>
<td>Themes</td>
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<td><strong>Sustainability and further growth</strong></td>
<td>Social enterprise developed a business-oriented way of addressing a 'cash crisis'; instead of seeking a grant, redeveloped a brand and sold it successfully</td>
<td>Social enterprise focused on 'walking the talk' and not only raising money via responding to bids of 'what is available for funding', but also by attending to the original aims, vision and identity; to that end, social enterprise aims to raise funding by IP of its materials highlighting its approach</td>
<td>Social enterprise faced issues of profitability on the way to expansion and diversification</td>
<td>Social enterprise in stage of expansion, looking into a 'franchise' mode for expanding operations regionally</td>
<td>The hybrid nature of the social enterprise together with challenges of government procurement mechanisms and the overall financial climate made it difficult for it to attain a healthy growth, thus resulting in loss-making operations</td>
<td>Previous lack of stability, inability to attract funding as well as changes to the political climate and the ways that this affected the business development, had a serious effect on its culture and strategy, and made it primarily focus on 'using enterprise to generate wealth for the community', by leveraging a business activity with proven track record of profitability- whilst a community ownership model has been also proposed</td>
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<tr>
<td><strong>Social capital-stakeholders</strong></td>
<td>Stakeholders of the social enterprise are trustees, staff and customers; social network seen as key mechanism to grow also via the future creation of strategic partnerships, eg- publishing</td>
<td>Social enterprise reporting to its stakeholders, with whom it relates via the philosophy and practice of reflective practice</td>
<td>The social enterprise formation is seen as a key 'node' for company employees and stakeholders, including customers</td>
<td>'Word-of-mouth' publicity and long-standing presence in the market show that the wider social capital around the social enterprise is important in attracting new business</td>
<td>The social enterprise has created together with other social enterprises numerous autonomous networks that are linked with state funded bodies but remain without a formal structure</td>
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<td>Themes</td>
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<td>Social and human capital-Internal 'people orientation'</td>
<td>Company aiming to pull more people in leadership and stewardship roles so that they can relay the message to wider audiences</td>
<td>Social enterprise regularly attending conferences and workshops in order to further skill-building and networking</td>
<td>People in the social enterprise need to be committed to a social purpose, creativity and exhibit entrepreneurial traits</td>
<td>Social enterprise focuses on people and their future employment therein, by prioritising the ‘get people off the streets’ philosophy, and subsequent empowerment by professional training and earning a living</td>
<td>The recent loss-making activities were making it difficult for the social enterprise manager to consider further capacity building; rather he was engaging in alternative funding possibilities</td>
<td>The social enterprise has invested in the creation of a Foundation in order to help towards raising awareness as well as building capacity on social enterprise issues; long term relations and faith to the original vision are seen as key success factors for the long term</td>
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<tr>
<td>Established ethical frameworks and discourses</td>
<td>CSR and social enterprise share the same frameworks of multiple bottom lines- an expanded triple or multiple bottom line framework</td>
<td>The social enterprise exhibited a heightened sensitivity to issues of ‘giving back’/ ‘influencing’ the international field of professional activity in which it belongs; this holistic culture shared by social enterprise leader as well as employees</td>
<td>Social enterprise works at providing a socially-oriented service by providing at the same time employment opportunities for service users and ex-service users and people who find it difficult to get into work, as a way to operationalise the triple bottom line model</td>
<td>Social enterprise formed after suggestion of corporate CSR manager in order to address opportunities and challenges in their field of activity</td>
<td>Social enterprise deems necessary to achieve a balance between social and commercial aims</td>
<td>Social enterprise fosters the balance of a sustainable business that will benefit the community, whilst its capacity to grow, influence and negotiate is becoming enhanced. Community and neighbourhood improvement are seen as holistic and overarching aims of the social enterprise</td>
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<td>social enterprises (such as CSR)</td>
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RESEARCH FINDINGS

Based on the theoretical discussion in the sections above, there are three main areas that we have explored through the case analysis:

a) The vision and values of social enterprises as an indication of their ethical (and moral) basis and the role of leadership in gaining legitimacy

b) An emphasis on transformation of capitals versus counter-hegemonic tensions

c) Issues of legitimacy and the ways that they have been concurring- or not- with established institutional frameworks and strategies

a) The vision and values of social enterprises as an indication of their ethical (and moral) basis and the role of leadership in gaining legitimacy

All of the social enterprises studied exhibited a particular value-driven character both in the way in which they form their strategies, as well as the way in which they are running their day-to-day business. Sometimes this was based on a concrete philosophical/ethical standpoint and its practical application to business operations and structures, whilst on other occasions, this was an overarching sensitisation to social responsibility, and the care for underprivileged communities as a main social aim. In all cases, the social entrepreneur as a leadership figure came strongly through the discourse of the social entrepreneurs/managers; his/her vision, inspiration, creation of a repertoire of language and concepts within the organisation, was coupled with practical engagement in business activity, decision-making, recruiting, as well as in actively seeking grounds for new ideas and business opportunities as well as ways to trade-off temporary loses whenever those occurred.

In SE1, this was summarised in the following: ‘....every person who is engaged in anything is very much shaped by their underlying world view, how they actually see the world; when people have a crisis is when they are still struggling to see ‘why I am doing this’, what is the plan?’

Beyond that, in a number of the cases analysed, the leadership style could be characterised as ‘transformational’ (Burns, 1978; Bass, 1985), fulfilled by a visionary
social entrepreneur in collaboration with his/her partner, who also acts as the right hand person – the ‘co-preneur’ exhibiting a more proactive and practical approach in management (Chell, 2005). Communicating the initial vision via the appropriate channels could prevent the organisation from de-focusing from its ethical/moral or philosophical base. Such a mechanism, for example, is utilised in the case of SE 2, whereby, it is one of the roles for the Board of Trustees to check, on a regular basis, that the organisation still reflects its initial founding values and that all its decisions involve and manifest them.

In the case of SE 3, the main trajectory for the development of the social enterprise has been ‘organic growth’ which characterises its shifting of structural form, prior to becoming a social enterprise; the latter formation brought ‘a bit more freedom to develop businesses and business opportunities, (as) social enterprise is about good quality and social equality, as well as business opportunity; part of the ethos was to make money and provided it was ethical and within the values which is always the framework work within, we would consider those opportunities, because we were going to reinvest the money back into the charitable arm’.

The changing landscape of opportunities within which some social enterprises could obtain funding due to sectoral prioritisation, has been highlighted by some of the interviewees as a potential threat to an initially powerful vision, which could, in some cases, eventually become diluted. As the leader of SE 5 remarked: ‘I have been to conferences and organisations that used to be called charities, now appear at the front of the lecture theatre and describe themselves as social enterprises, but actually what they are doing is the same as what they did two years ago and they now have grant funding....I think it is very much a buzz word at the moment, and it does not help social enterprises become so popular....it is a disservice really because there is too many, (and) there’s a lot of misconceptions in the wider community’.

Although the current economic and business climate dictate that an emergent capacity for strategy-making is key to success, at the same time the concept of ‘strategic fit’ appears to be of primary importance for social enterprises, particularly with regards to the vision and scope of their alignment with the community segment that they have set themselves to serve. SE 6, for example, chose to remain true to a
defined vision (‘to use enterprise to generate wealth for the community; reduce deprivation in the area, and bring the three wards that make up the area, out of the 119 most deprived wards in the (region)’); nonetheless, due to various changes in the political and economic environment in which the social enterprise operates and the ways in which they reflected on related business opportunities, the SE saw the need to shift its focus in terms of business opportunity identification three times since its inception.

In order to be able to attain this combination of, on the one hand, flexibility and on the other, focus, the capacity to retain a vision remains important. As the social entrepreneur of SE 4 remarks: ‘like everyone our business is seriously affected at the moment. The margins are down, people are cutting jobs, looking to cut overheads. Nobody’s got any time, you know, they are all trying to survive and not looking to see what they can do. Fortunately, we’re in that position that we have got good workload, I do have some time and I can see there is a benefit…..a lot of people are short sighted and always look at the negatives. I am naturally an entrepreneur and think there’s got to be something good in this and I see lots of positives’.

b) Transformation of capitals versus counter-hegemonic tensions

Key issues which are usually found in literatures on social enterprise regarding their dual nature also arose in the cases studied. Regardless of the point of departure of the social enterprise model (social enterprise created out of charity; supported by a Foundation; association, or standalone mission-based social enterprise), all social enterprises studied seemed to be aware of the necessity to maintain a dynamic perspective in reaching a horizon of sustainability, whilst at the same time, being pragmatic in terms of bearing the costs and risks of a continuous expansion and diversification, without, at the same time, compromising their social orientation.

Of the social enterprises analysed, only one referred to the notion of maturity (SE 4) ‘...(it)has been going on for 22 years....we work for local authorities, education and health are the three main sectors.....the culture is very much.........a family company, there’s a family feel and that’s what I have tried to maintain even though we’ve grown bigger’; in the majority of the cases, the social enterprises were on a
path of growth, establishment or diversification, with only one in a downward trajectory (SE 5): ‘getting a commercial culture was our biggest challenge.....we’ve done a lot of marketing of SE 5....but it is marketing, not sales. And so everyone’s heard about this and everyone thinks that we did a great job, but our sales were terrible....and my colleagues were telling me there was a big benefit....and it was good for our image. And it was, it is good for our image, but (we made) loss....for us it has never been that obvious how you would invest any money in order to move up to the next step’.

Upon reflection on the literature regarding the dual role of social enterprises, there did not appear to be any fundamentally inherent contradiction as to the necessity to provide for the sustainability of the social enterprises studied; instead, the researched social enterprises exhibited leadership with solid skills, as some of them were run by ex-business people, or people who were engaged in parallel ‘mainstream business’ activities, and as such, they had implemented and knew how to work with ‘traditional’ business structures such as audits, board reporting, functional divisions allocation etc. One such example includes the social entrepreneur of SE 1, who explains: ‘We have created a brand identity so people say well, this is an asset. SE 1 is five years old at the end of this month, and we have faced what is called overtrading, that is growing too fast for your capital base, and we could see that coming. We are very tight on financial control, we are good at it, it is all back of envelope stuff, but we can see where it is all going and we can predict it, that actually we are going to have a cash flow crisis in the summer. A charity would traditionally appeal for funds, but what we did, we said, let’s look at the assets we have and think whether we have taken anyone of it as far as it could go, so that we would be able to cash it in so we offered the brand with the content, website, logo, reputation and all its asset value to three different publishers ....and we sold it as a brand....’.

Nonetheless, social capital seemed to be of equal importance to the social enterprises studied, particularly in terms of their support by a vibrant network of stakeholders in the community, which facilitated the objectives of the social enterprises; its presence, also placed at the same time, additional demands on the social entrepreneur(s) in terms of management of their enterprise in a participatory
manner- by placing special attention to stakeholders such as workers, volunteers, investors and customers; according to the social entrepreneur/leader of SE2: ‘Our stakeholders are our supporters, our trustees, our staff and our customers......we have built and continue to be building a wider network of relationships, a social capital that is built around people we meet in conferences, share ideas and encourage each other to put out ideas into projects’.

Such stakeholder networks are, additionally, critical to the activities of the social enterprises, particularly in terms of business growth. In the case of SE 2, in particular, this involves referrals which, can, subsequently, generate business activity within various governmental sectors. Similarly, the SE2 appeared to be accountable to its stakeholders, and various ‘control mechanisms’ were put in place, such as feedback about processes and outcomes. SE 2 employs the philosophy and practice of reflective practitioners for its members: evaluating processes, reviewing concerns, and also constantly assessing what goes well and what could have been done differently: ‘certainly we could construct a sort of interlocking circles sort of diagram in terms of network. A network is what I did look at of course in terms of myself on national and international levels and to a certain extent other project managers as well..... So I and other members of the team are relating on a national and international level and trying to influence events, influence the developments...’.

SE 6, on the other hand, identified a central role in terms of the social capital for its operations: ‘when it comes to the role of leadership in the community it is tougher (than for the business leadership)...You have no resources, are using volunteers, trying to encourage participation in the community, whilst the vision is about commitment to long term community development. This is counter to modern culture of fast outcomes and immediate returns. The lesson learnt over the years is to build relationships and remain integral to the vision. This has translated into respect from different groups and individuals......in the business side it is different, but I would point to the common denominator of building those long term relationships’. Given this complex web of relationships with numerous stakeholders, social entrepreneurs and social enterprise managers are often faced with many challenges in terms of the management, therefore their capacity to learn characterised by an experiential and relational model that can transform the enterprise and the community around it; in
the case of SE 2: ‘we like to think that we work as reflective practitioners so that we learn from all our experiences and that learning is both about what goes well and perhaps what needs to be learnt from and done differently next time feeds back into the way you do the work next time. In that way I think we are trying to be accountable to all the stakeholders’.

Developing an enterprise requires channelling resources in the most effective ways by putting structures and systems in place. Defining the organisational form and assigning roles to people becomes, in effect, a part of this process; ensuing challenges include to recruiting, sustaining and developing a team of people, who would share the same vision and values with the founders and who would take the organisation through the next stages of its development. SE 1 deals with this challenge by creating a document of staff roles that links job positions to degrees of adherence to statement of faith, in alignment with its core philosophy and vision. For SE 6, this people-orientation has been crucial, despite the challenges that it carries, particularly in terms of necessary resources and processes that need to be dedicated to this goal: ‘it has (been required) to motivate a board and ensure new personnel and interests are catered for and encouraged. This has been extremely difficult, as resources have been scarce. Within this process of empowerment there is always the danger that the dominant ideas are forced through’. At this point we see that the transformation of capitals, particularly from the social to the economic is not always easy, as social enterprises risk a kind of continuous reinforcement of moral positions and ideologies.

c) Issues of legitimacy and the ways that they have been concurring- or not- with established institutional frameworks and strategies

All of the social enterprises studied appear to accept overtly or covertly the relationship between a wider multiple bottom line framework (such as CSR) and their orientation. In terms of the imprint of such a framework, the social, financial, environmental components are present, with most prevalence on the balance between the social and financial aspects; of the former, the social aspects are divided between ‘internal’ and ‘external’ components; the former exhibited in the people orientation, the employees, management or governance structure of the social enterprise. In terms of the latter (external components), those pertain primarily
to the community aspects, and the accountability that the social enterprise exhibits in terms of benefit creation, re-investment of profits, or social base from within which employment is to be attained.

This is evident in SE6 (external component of social accountability (community): ‘the challenges faced by SE 6 have been about the balance between establishing a sustainable business that would benefit the community whilst developing the platform for the community involvement and ultimate radical change needed’; on the other hand, SE 2’s policies exhibit the internal component of social accountability (workplace): ‘So we have a wide range of skills, professional skills and (we are )all very much committed to and involved.......(the employees) take a real interest in the governance and it’s been very supportive of me to know that they are there, they are involved. For instance in the making of policies they carve up between them the responsibility for ensuring that we have policies that relate to all the essential areas like equal opportunities and diversity, like health and safety, child protection policy, a whole range of other policies. They take individual responsibility for those’.

SE 1 clearly exhibits commitment to a multiple bottom line: ‘…..there are four types of capital, i.e. a) financial capital, that is money, cash and other representations of cash, b) social capital; people are physical, spiritual and emotional beings. Then, there is c) environmental capital, the world’s resources and the relationship between them, and d) manufactured capital, i.e. the fruits of people’s labours, which I would subdivide into hard and soft; so there is hard manufactured capital, the things that people have made, actual solid things they have created and the soft like expertise, intellectual property. I believe that all of that we are given stewardship of and we are working in a way appropriately using this capital and developing this capital...’. For SE 3, an important systemic enabler was governmental support via schemes such as the Social Enterprise Mark, and other concrete policies for serving underprivileged populations by supporting employment for local youth; this umbrella strategy and support allowed for variety and successful diversification in a portfolio of activities, whilst remaining focused in its initial vision. For SE3, ‘the key difference is what your objectives are in terms of being focused on social outcomes and secondly how your run the operation as well because that’s got to be critical in terms of the values of the operation....we have an umbrella organisation nationally, the Social
Enterprise coalition...and...we are getting a clearer leadership under that particularly now with a move towards a national social enterprise mark...’. Support by a scheme such as the Social Enterprise Mark provides a form of symbolic capital which facilitates the legitimation of the social enterprise and its aims, within an acknowledged systemic framework.

Finally, SE 4’s strategic and operational reality explicitly highlights this link, by the presence of a CSR manager in the parallel commercially-oriented business, which has given support to the social enterprise: ‘In conjunction with my CSR manager...his suggestion has been that we form a social enterprise. ...to train a certain amount of people....for me I think we miss an opportunity (if we just pay lip service to that, as other companies do).....if we embrace that and encourage that we could do things that our customers want, buy we (also) doing good for the community, we are employing local labour....I take people and I give them opportunities’.

From the relevant instances of discourse of the social entrepreneurs and the managers of the social enterprises interviewed, it is evidenced that Hervieux et al’s (2010) hypothesis of the prevalence of the social enterprise-related discourse, as this is developed by academics, policy-makers and institutions, is valid; such discourses were shared by the social entrepreneurs studied, and highlighted Hervieux et al's (2010) stress on the legitimization of the composite nature of social entrepreneurship through an institutional focus on (a) social aspects (mission, value, empowerment, social change), and (b) commercial aspects (innovation, socioeconomic organization, commercial and business ways obtain sustainability).

DISCUSSION AND CONCLUSIONS

Our study sought to gain a better understanding of ethical frameworks underpinning social enterprises, the latter being organisations that are tasked with reconciling competing institutional logics of social action and entrepreneurship. Our departure point was to problematize the existence of dominant hegemonic powers and alliances that impose a set of legitimatisation criteria upon social enterprises. We have attempted to study whether social enterprises can be re-conceptualised as counter-hegemonic forces that can achieve meaningful social action. We have specifically focused on how social enterprises seek their legitimation in the field
where they operate through re-creation of a habitus, which does not oppose to the logic of traditional economic structures; however, it also does not internalise these institutionalised enterprise logics at the expense of social mission.

The social enterprises studied were found to espouse strong sets of values, which differentiate them from more conventional forms of enterprises, still, however, seeking their legitimacy via institutional structures, for example in terms of different expressions of market opportunity, or expressions of Corporate Social Responsibility. From that point of view, there is a re-creation of an ‘elite’ class for social enterprises, which would follow established paths of legitimation, particularly in terms of the business skills and networks that they are able to form. It is however, their focus on social-driven values and social action, which eventually provides a differentiating ethical framework within which these social enterprises operate. Rather than constant critique of distorted models of social enterprise, if this focus and underpinning ethical frameworks can be better understood by all actors involved, and be maintained over time, full and true potential of social enterprises can be realised. This requires engaged scholarship and practice in a sense that our academic conceptualisation and reporting of these issues should be grounded in the reality of these social enterprises. Revisiting Alter (2006)’s typology, the six social enterprises that were studied are either mission-centric, or mission-related, with enterprise activities either embedded within the organisation’s operations and social programs being either central to their mission (SE 3, SE 4, SE 5), or central in terms of creating social value for programs and for generating economic value to subsidise the organisations’ social programs and other operating expenses (SE 1, SE2, SE 6). All of these enterprises demonstrated a vision for sustaining and scaling up their activities, with a particular concern for attaining social goals, which reflects the trend in the development of the social enterprises as highlighted in the conceptual discussion of the paper, particularly in the context of the UK. As change agents, social entrepreneurs have the challenge of behaving entrepreneurially and realising the enterprise’s primary mission that is the creation of ‘social wealth’ (Chell, 2007). Strategic implications of this premise, include the transformation and adaptation of organisational forms and business models. The cases studied, exemplify this in a powerful way as the leaders of the social enterprises strategically re-position the organisations in terms of their mission and stakeholders, and then re-
deploy social, human and ethical capital in order to further develop the social enterprises. All of these processes are underlined by dualistic tension between social mission and commercial and strategic focus.

Clearly, strategy has implications for management practice including organisation and governance. The counter-hegemonic agency of social enterprises entails alignment with core values and strategic praxis created by the social enterprise. This continues to raise challenges such as recruitment and retention of people, who share the same value and vision as the social entrepreneur; transformational and value-driven leadership is prevalent, as it spans the field of multiple stakeholders and aligns with the nature of the social enterprises, and their predominantly participatory forms of management. Furthermore, it is evident from the research conducted that the social entrepreneurs and the enterprise team believe that they need to develop certain skills and competences, in particular, networking skills, skills to raise and manage finances, as well as leadership as management skills in order to maintain the vision and values of the social enterprise in their everyday work as well as in their own developmental trajectory. Moreover, inalienable resources such as tacit knowledge, industry-specific experience and social capital of social entrepreneurs become very crucial in the development and growth of a social enterprise. For that reason, the development of team-work, interpersonal skills, social consciousness in addition to the business techniques and insights are required for social entrepreneurship, as the literature also confirms (Kent and Anderson, 2003).

Moving beyond the risk of following a predominantly single logic, the paper proposes that a contextual-driven focus on social change through social action can begin to create a discourse on an ethical framework for social enterprises and the actors involved. This can be achieved in the following ways:

By focusing on ethical capital, an ethically-based vision and accompanying set of values; this would mean, in general, ‘operating ethically’ and ‘walking the talk’, whilst at the same time, maintaining congruence with the founding values of the social enterprise and the challenges of business sustainability. Although the social enterprises interviewed exhibited a sound understanding of the potential dichotomies between the social and business aspects, they were all very conscious in their outlook and subsequent applied practices, in looking for ethical practices to develop
business, either by identifying business opportunity, applying for grants or diversifying operations and focus. The social enterprises studied appeared to be balancing aspects of legitimation, between the ‘ethical’ and the ‘economic’ fields, without providing a destructive ‘counter-hegemonic’ response to given hegemonic structures.

The main meso-level influences on sustainable development and growth of social enterprises studied appeared to be the development of internal and external social and human capital, by empowerment and training of employees, as well as the creation and diffusing a common set of values, language, concepts and practices; at the same time, externally, by building and maintaining a flexible network of stakeholders who can upon demand, contribute towards the development of the social enterprise, as well as play a role towards its governance and further business growth. Those aspects again support the attempts for legitimation which the social enterprises engage with, within given hegemonic structures.

The social entrepreneurs and social enterprise managers involved in the research appeared to be well informed and aware of organisational and developmental practices that underpinned the growth and development of their organisations. The main challenge appeared to be the continuous growth in a manner that is congruent with their values, remit and mission in the current socio-economic and political conditions. In this perspective, it could be argued that the social enterprises studied do not necessarily differ from ‘commercial enterprises’ within the current climate. Yet, for at least two of the interviewed social enterprises, the current climate presented more opportunities and challenges than real threats, as the increasing reliance on intermediate services with a social character appeared to be a positive repercussion of the changing economic and political scene. New intermediate areas such as childcare, social housing, the provision of maintenance, cleaning, recycling, temporary relief, as well as open source IT development have all been cited as areas of potential future growth for social enterprise.

Legitimacy and institutional forces (alignment of habitus and field) is another area that we need to highlight in reaching a better understanding of ethical frameworks for social enterprises. Combining Gramsci’s concept of hegemony with Bourdieu’s concept of capital bridges the gap between the macro-structural and meso and
micro-agentic aspects of such ethical frameworks. As suggested above, developing an ‘ethical capital’ to serve the purpose of social advancement without compromising on the balance between ‘social’ and economic’ is a way forward to re-create social enterprise habitus that can fulfil an ethical and sustainable mission.

These findings form the core of our theoretical contribution. Our methodological contribution pertains to examining the multi-levelled nature of the phenomenon through qualitative examples of case studies. One methodological limitation of the study could be raised as data was collected over different points in time, to the effect that some of the cases might not exactly reflect the most contemporary political and economic climate and discourse surrounding social enterprise.

We suggest that there are areas in this topic that warrant further research. The role of the social entrepreneur as the change agent/social innovator whose vision drives commercial and social entrepreneurial activity could be further developed in research, in particular when underlying ethical imperatives with their deeper rational and irrational motives in the process of creating social enterprise structures.

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‘Flow’ and Social Entrepreneurship: Making a Difference with Skateboarding.

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ABSTRACT

The research question is: “What can social entrepreneurs learn from skateboarding?” This paper argues that skateboarding provides a unique model for the social entrepreneur. The paper discusses the distinctive learning system of skateboarding which is based in play and the flow experience, and then uses the experiences of the authors in a new venture ‘OnBoard Skate’ to discuss how the principles of skateboarding might be applied to social innovation initiatives. Discussion is invited on the implications of this paper.

INTRODUCTION

Entrepreneurial icons Richard Branson¹ and Steve Jobs², when interviewed, have stated that what drove them through the sheer hard work and failures that were inevitably involved in their ventures were passion, curiosity, and learning. Like other entrepreneurs they took risks, sought autonomy and meaning in their ventures, and practiced creative destruction (Schumpeter, 1942/1947). All of these characteristics of entrepreneurs and practices are considered in this paper, but we focus specifically on learning as we take the view that entrepreneurialism is a learning system. The aim of this paper is to consider skateboarding as a metaphor for social entrepreneurship, especially in relation to Csikszentmihályi’s (1992/2002) notion of

¹ Richard Branson - http://www.youtube.com/watch?v=VH35lz9veM0  
² Steve Jobs - http://www.youtube.com/watch?v=gxo2rGr7Yfg
‘flow’ and the central role of play in learning (Gray, 2013). We draw the analogy between skateboarding and social entrepreneurialism by considering a recent skateboarding venture set up by the authors of this paper. One programme we focus on in our presentation is Everyday Skate, a partnership between Everyday OT and OnBoard Skate and Scooter School, which is aimed at children with developmental challenges and their families, involving using skateboarding in a ‘skate therapy’ process.

The research question informing this paper is: “What can social entrepreneurs learn from skateboarding?” In order to answer this question we first discuss relevant literature. We begin by providing a justification for our paper by contextualising a crisis currently facing organisations and educational institutional systems which is the impetus behind OnBoard Skate. We then focus on providing an overview of literature on skateboarding and learning and draw comparisons with research literature on entrepreneurial learning. Having established the congruence between the literatures, we then turn to OnBoard Skate and Everyday Skate, which we offer as reflexive practitioners, concerned to continuously improve our practice. In conclusion we valorise the principles of learning found in skateboarding and its foundational values of freedom, passion, happiness, play, and argue it provides a metaphor for entrepreneurial innovation.

LITERATURE REVIEW

There has been a considerable amount of research attention criticising schools and learning institutions such as universities and other formal learning sites for overly structured, competitive and assessment-based learning systems. The argument, in brief, is that traditional educational institutions kill creativity. Sir Ken Robinson (2013) for instance argues that children’s education is primarily an industrial process conducted on them from the waist up, treating them like they are disembodied, which

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detracts from children’s natural propensity to learnt through play, and this is not a suitable model for the future of education. 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 affirm their natural creativity rather than ‘school it out of them’, which many researchers argue is what happens in current institutional settings (Gray, 2013; Postman & Weingartner, 1969; Rogers, 1969).

We believe skateboarding provides a learning system that resonates with the call for incorporating and reintegrating education with child’s innate play drive, an argument that is justified further on in this paper. In terms of turning this belief into an organisational entity that can create and influence change we set up OnBoard Skate in 2012, which can be described as a social innovation initiative as it aims to create social value by valorising a set of learning principles that exist in antithesis to the prevailing social and cultural system (Peredo & Murdith, 2006). Social innovation is a process of pursuing solutions to social problems and focuses on meeting a social need or problem. Social entrepreneurs are purpose driven, creating and sustaining social value (Zahra, Gedajlovic, Neubaum, & Shulman, 2009). In order to do this, social entrepreneurs focus on adapting and learning as these processes are at the heart of all social innovation as they are always ‘Other’ and solution focused. Thus a key feature of social innovation is that ventures are not focused on profit and return so much as providing a positive return to society (Mair & Martí, 2006). Social entrepreneurship ventures typically further broad social, cultural, and environmental goals (Bornstein, 2007). At the same time, it must be said that business sustainability is a reality for many social innovation initiatives, including our own, and so the venture must pay for itself if it is to survive.

Skateboarding might be seen as an unusual vehicle for providing alternative learning models in schools. Unfortunately understanding about the benefits of skateboarding is poor, and skateboarders are routinely stereotyped and demonised by those who do not understand or participate in skateboarding although it is simultaneously courted as being emblematic of youth subculture and style, and so is beloved of
marketers (Bradley & Stinson, 2008). The following paragraphs provide more background to skateboarding.

Two key values of freedom and accessibility are crucial to skateboarding and are key values OnBoard has also tried to valorise. Children are constantly being told they spend too much time in front of the computer and television, there is huge anxiety around about childhood obesity and activity decline, but we live in a risk adverse society where parents and schools avoid unsupervised play activity and prefer safe activities that are sedentary. This produces a vicious cycle of inactivity. It is compounded by the cost and inaccessibility of many team sports; by this we mean most physical activity is organised and requires adult involvement in terms of transport, financial cost, and can only be conducted at set times in set places. Skateboarding, although still involving some cost, has the advantage of being accessible as it can be done anywhere there is some flat concrete, which is in vast supply in cities, can be done at any time, and does not require adult involvement.

Skateboarding has similarities to other ‘freedom’ sporting activities (like snowboarding, surfing, kite-surfing and skiing) but its closest cultural and systematic corollaries in terms of a learning system is open-source communities like Wikipedia and Linux. Mastery is prized above all else as a membership qualification to the culture, and like programmers skateboarders are autonomous and creative creatures. We (Onboard) argue that skateboarders should be compared to open-source communities because they also subvert institutional attempts to organise them and they are attracted to it because they dislike managed team competition, although many skaters also participate in organised sport as well.

Skateboarding, unlike the other freedom sports mentioned above, is highly accessible and relatively cheap. Skating can be conducted without adult involvement (after the age of about 12, depending on the maturity of the child and their peers) at anytime, anywhere where there is smooth concrete, and without relying on adults for transport. Even when parents need to be in the vicinity of younger children, the activity remains child directed and not adult controlled. This is very attractive to skateboarders as they value freedom and self-direction, and need to move to
express themselves. They often report feeling negative about team and other sports where competition and winning is important and when adults, including coaches and parents, as well as team members “shout at them”.

The latest research from overseas, as well as the latest developments from educational institutions in the US, Great Britain, Europe and Australia, show that skateboarding can be an effective vehicle for learning in the broader realm of literacy and other subjects areas (Petrone, 2008). This has been well known within the skating community for some time, with many skaters commenting that the unique learning system appealed to them as they were growing up. For instance see Rodney Mullen⁴ and numerous documentaries about skating from skaters themselves⁵ and from people like Dr Tae, a physics professor and skateboarder⁶.

Learning through skateboarding is characterised by repeated failure, intrinsic reward feedback loops (Seifert & Hedderson, 2010), peer-system learning, and the celebration of individual style (Jones, 2011). Error-making is an intrinsic part of the learning system – repeated failure is not only expected it is built into the system to the point that the ‘epic fail’ can be the defining feature of someone’s acceptance as authentic. Skateboarding has a particular capacity for reaching children that do not engage so well in more structured competitive team sports activities, and are active physical learners who need real-time meaningful feedback in order to learn effectively. Skateboarding has also been effective in engaging children who are disenfranchised from traditional schooling for various reasons including having behavioural and/or learning difficulties or are socio-economically disadvantaged. Skaters report that skating alleviates stress and is an extremely strong drive that many skaters liken to an addiction. It must be stressed that despite many stereotypes skaters are not more likely than other young people to become addicted to drugs and alcohol.

⁴ Rodney Mullen, many times World Freestyle champion of the world, at a Ted Talks event ‘Pop an Ollie and Innovate’ http://www.ted.com/talks/rodney_mullen_pop_an_ollie_and_innovate.html
⁵ See short documentary ‘Freeling’ evocatively explains why skating is so attractive to skateboarders as an aesthetic learning experience http://www.youtube.com/watch?v=rPKhA-jy3qs
⁶ Dr Tae talks about skateboarding and learning on Ted Talks http://www.youtube.com/watch?v=IHfo17IkSpY
Play in the environment is a key aspect of skating – to a skater, a city is a playground, and the materials that make up the city – concrete and steel – is the materiality of their play (Vivoni, 2012; Woolley & Johns, 2001). Skating is conducted within cityscapes and skaters interact, in a ‘sort of a dance’ with urban space and artefacts. In this activity, skaters put public spaces to uses that they were often not designed for, which often put them at odds with town and city planners and architects. Skating is sometimes equated to performance art and when looked at constructively by city planners, skaters provide many positive possibilities in the development of public spaces, including being surveillance agents and visual entertainment. Skaters really use and interact with public space rather than just pass through public spaces on their way somewhere else.

Skate boarding has its own specific culture which although it appears cohesive from the outside, is diverse and differentiated; it is made up of many sub-cultures. Subcultures emerge around parks as skating is very earth-bound and territorial (whilst at the same time created, communicated, celebrated and iterated in digital media). Skating also has many styles according to certain skater preferences – street, freestyle, bowl, and park. Some skaters cruise and do not do many tricks and many children skate (and scooter) mainly as a form of transport. Groups, called ‘crews’ in skating vernacular, get together drawn together by a love of the activity, for example a group of six year old girls who skate together – The Pink Helmet Posse. Style, art and fashion is important in skateboarding culture. Fashion is important and there is considerable latitude around personal style although from outside skaters have a similar ‘look’ there is significant differentiation within (Beal & Weidman, 2003). The recent development of the Pink Posse brand epitomises this inter-relationship between culture, mastery, style and innovation.

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7 See the short documentary ‘Skateboarding versus architecture: A study of public space and materiality in Auckland city’ at https://vimeo.com/31136828#
8 http://www.dailymail.co.uk/news/article-2469729/On-grind-6-year-old-girl-skateboarders-form-Pink-Helmet-Posse.html
9 http://pinkhelmetposse.com/
Some skaters are more risk-oriented than others. They may engage in behaviours that many not within the culture find difficult to comprehend. Although many skaters do engage in physical risk, they do manage their risk, learning to fall and minimise injury, and develop considerable resilience to pain and the ability to get and try a trick again and again. Failure is not stigmatised and is an intrinsic part of the learning process; the fail is actually celebrated and enjoyed as much if not more than the actual success of mastering a new trick. The only failure in skating culture is not to try.

Skating is also predominantly masculine and white middle-class activity (Yochim, 2010). Women and girls do skate but they are not nearly as visible and as skating takes place in public places girls feel more cultural and social pressure not to skate. In certain areas, e.g. surf cities, they are more visible, and they tend to engage with small penny boards and longboards more than the trick skating. The predominant masculinity of skating is not ‘natural’; the gendered nature of skating is entirely cultural and socially learned. Our experience of teaching over 10 000 children to skate in schools and other places is that boys and girls have exactly the same innate desire to roll on a board with wheels attached and exhibit exactly the same amount of natural ability, interest and excitement. Factors such as cultural and social environments act to dissuade girls from taking up or continuing to skate; these come from external sources like the media, schools, parents, and peer groups.

Skateboarders are a unique breed and do not deserve the social scorn poured upon them much of which, in our opinion, is based on negative discourses of youth, particularly young men. Skateboarders have a high proportion of entrepreneurs and they have a strong connection to design and other creative industries. For instance, there is a very close connection between skateboarding and visual culture (Buckingham, 2009) with most skateboarders engaging in photography and film making as skate photography and filming is integral to the culture. Much of the learning processes within skateboarding is communicated through making, viewing and sharing skate films that provide a repertoire of techniques and knowledge. Music and other visual art forms are integrated into the skater aesthetic. Skaters often set up their own businesses and are entrepreneurs. Interviews conducted with skaters,
and our experience in employing skaters in Auckland, is that they are creative individuals who tend to aspire to be in creative occupations – film-making, photography, animation, acting, and they develop their own fashion/clothing designs and personal brands. Many skaters are ‘naturally’ entrepreneurial, risk-taking, social, creative and resilient. Skaters use a seemingly simple technology – a skateboard – that nevertheless requires skill and mastery in its operation. The board although a seemingly simple artefact, is surrounded by innovation in its materials, building processes, design and art.

The literature on entrepreneurship shows many similarities to the characteristics and learning styles of skateboarders discussed above. Central to conceptualisation of entrepreneurialism is ‘flow’, which is a term used to describe how people feel when they are ‘at one with the world’ or completely immersed in an activity (Csikszentmihályi, 1975; Csikszentmihalyi, 1999; Csikszentmihályi, 1992/2002). Happiness is related to flow (Morris, Kuratko, Schindehutte, & Spivack, 2012) as is the construction of entrepreneurial identity (Downing, 2005). Research into entrepreneurs has argued that they should be seen as actors in “unscripted temporal performances who continually encounter novelty” (Morris, et al., 2012, p. 11). The similarity of this definition to the play experience characteristic of skateboarding is uncanny. Learning is of central focus in entrepreneurial literature (Cope, 2005) but play is rarely mentioned. Entrepreneurial literature also underlines the importance of dynamic temporalities, the inter-relatedness of the processes involved, and overarching characteristics of entrepreneurs that have already been highlighted in the present paper. 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. Other research has pointed out the need to manage the emotions involved with failure (Shepherd, 2004) and this signals the centrality of resilience as a relatively neglected characteristic of entrepreneurs. Considering that the main reward of social innovation is usually not profit, resilience is possibly even more important for social entrepreneurs than those focused more on profit.
The above brief overview of entrepreneurship provides some support for the notion that the learning system of skating is a model for developing or at least understanding other organisational learning systems that wish to be innovative, so skateboarding provides a useful model for entrepreneurs to learn from. In the next section we introduce our own programmes, our practice in terms of trying to integrate many of the lessons we have learnt from skateboarders into our systems. We propose skateboarding as a metaphor for entrepreneurism, with the idea of flow as being central to that metaphor.

SKATEBOARDING AND SOCIAL ENTREPRENEURSHIP

The authors of this paper set up a new venture in Auckland, OnBoard Skateboard and Scooter School in August 2012 so it is still a very new venture. Its aim is “To bring about positive change in the lives of individuals and communities through the delivery of skateboard and scooter instructional programmes and community based events” (onboardskate.org.nz). The venture was initially inspired by various social initiatives around skateboarding that exist in Europe, the Middle East and the USA. Skateboarding and skateboarders have been involved in numerous social initiatives, for instance Skateistan10 (a venture in Afghanistan set up by an Australian which uses skating to provide children, especially girls, with an education and to promote peace); A-Skate (an American venture using skating to assist children with autism develop physical and emotional skills and assist in their development of social bonds with others)11, and Malmo Skate School in Sweden (which uses skateboarding as an educational vehicle in a dedicated school and facility)12.

10 A documentary on Skateistan was an official selection at the Sundance Film Festival, and excerpts can be viewed here Skateistan - http://skateistan.org/ and http://vimeo.com/46337060


Skateboarding in schools, which makes up the bulk of our work, was initially modelled on Skate Pass, an American alternative Physical Education (PE) initiative.

OnBoard Skate has now been operating for 12 months and is primarily focused on securing its long-term viability and building capacity. Developing coach capacity and processes have been key activities. Forging cooperative and long-term relationships with stakeholders has been central to operations, with local councils, retailers, existing skateboard stakeholder groups (e.g. United Skaters Voice), sports authorities, Safe Kids NZ, schools, after-school providers, and so on. Building credibility has been very important to us, as skateboarding is novel to many parents and schools, it is regarded sceptically by many, and understanding of its intrinsic benefits are poor. Consequently we do not consider our core activity to be teaching kids to skateboard so much as developing relationships and creating safe processes for skateboarding. We have pioneered safety in NZ as there is no legal requirement to use safety gear, it is rarely worn in public, and people, wrongly, assume that boarding skills are easy to learn. We were used by Safe Kids NZ, in their recent publication of scooter and skate safety, to demonstrate safe practices in their visuals13.

During the past year OnBoard has delivered skateboard instructional programs to over 10,000 children around Auckland with over 500 in-school skateboard sessions to over 30 schools, as well as 80+ school holiday and after school skateboard programmes. We have also, since June 2013, being delivering Scooter Safety courses –on behalf of Auckland Transport - to school students. Longboards are now being used to engage more girls, women and adults in the activity, as well as to offer other alternatives. We are also trialling a customised educational programme, ‘Skate2Educate’, which focuses on using skating to engage children in school, and developing their literacy. Other initiatives are; working with local councils to promote the use of parks and reserves, a Greenskate event which is an international

longboarding initiative which aim is to increase awareness of environmental sustainability by promoting longboards as an alternative form of transport, women and girls only skateboarding events, Green prescription programmes, programmes for ‘at risk’ children, and so on.

One particular programme has been Everyday Skate, a partnership venture between Everyday OT (Occupational Therapy) and OnBoard Skate School. The Everyday Skate programme was recently announced as a finalist in the Massey University-North Harbour Stadium Sport Excellence Awards. The programme is based on programmes overseas where longboarding and skateboarding have been used in therapeutic interventions to help people with stress, anxiety, depression, anger management and post-traumatic stress disorders. Comparisons can be made with A-Skate and ‘Riding for the Disabled’. The therapeutic process aims to support development and improvements in posture, motor planning, coordination and timing, grading of responses, strength, respiratory control, sensory integration and attention; help develop communication, concentration, social skills, self-regulation, confidence and self-esteem; and to facilitate an opportunity for recreational skateboarding and social interaction in a supportive environment that is fun, motivating and different to traditional, organised sports activities. With the support of trained Occupational Therapists and experienced OnBoard Skate coaches, the participants engage in individual goal directed conversations with staff about how to ride the skateboards and longboards in different positions, including sitting or lying forward, backward, standing up and riding on flat surfaces and over ramps.

**REFLECTIONS: PURE HARD WORK, MISTAKE-CENTRED LEARNING, AUTHENTICITY, NO COMPETITION, MANAGING RISK**

Our reflections are offered below as discussion points for the conference audience as this paper is in development, this being its first iteration.

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14 Video interviews with therapists and clients is available here as well as a brief article [http://www.miamiherald.com/2013/04/29/3371084/therapists-and-their-patients.html](http://www.miamiherald.com/2013/04/29/3371084/therapists-and-their-patients.html)

Social innovation is very hard work. It is not romantic, requires hard physical labour and mental effort, there is quite a lot of boring stuff like washing, drying and repairing gear, and even the constant creative activity around trying out what creates and sustains value is also hard work. Nevertheless it is highly enjoyable and feels worthwhile. The economic environment is not ideal to launch a new business, as there is a recession, and schools have declining budgets and more demands on what little money they have. Nevertheless the response to the initiative has been phenomenal, and the potential is limitless. OnBoard thus grew very quickly initially as we made a huge effort to get out and try new things, and expose our ‘brand’. However, this emergent strategy had a downside in that it put pressure on our key resources – people (Steve) and operational resources (vans) so we started to worry about sustainability in the longer term. We have now been through a year of experimentation and so in our last strategic planning phase we decided to cut back on Kiwisport funded projects in South Auckland from 2014 and focus on local territory – the North Shore and West Auckland, because of the expense of our operational model which requires us to go to jobs (e.g. transport costs and time in traffic which are not covered by Kiwisport). We are also focusing more on user-pays in-school programmes, the Skate Therapy programme which we believe has tremendous potential, and seeking institutional support from local authorities and funding providers for other events, as well as school holiday programmes. We are also geared up to do Scooter Safety programmes but funding is currently on-hold. We have relied on local skaters as our workforce. One of our foundational purposes as an incorporated society is to develop opportunities for skaters. We have contracted approximately 15 skaters over the past 14 months, but have come to rely on a core ‘crew’ of about 4 for most work so that we can retain them; learning to engage and retain skateboarders has been a learning curve for us, although they are driven so much by passion and enjoyment in the work they do with us, our main challenge has been finding them enough work.

Resilience, an experimental attitude and a willingness to try things and not be afraid of making mistakes, have been key lessons we have applied from skateboarding. The development of territorial crews has been our aim but we have not been able to
achieve this effectively yet, and we need to think very carefully about our growth model which needs to do to be financially viable, and with people we can trust.

Managing risk has been a central focus; processes for risk management in schools, safety processes around gear (which takes time to get on), and developing ‘flow’ and scenario based activities that keep children constantly active and engaged in the activity (no waiting in lines is our aim). We have had no accidents requiring medical attention, but we are vigilant and constantly thinking about how to make the systems we use safer. We try and make continuous improvement central to our culture: this is a way of thinking about learning from mistakes and seeing them constructively. Children will fall off the boards and this is central learning characteristic of this system; we believe this helps children develop resilience and a good attitude to failure. Obviously we minimise the risk of them actually hurting themselves. We believe we are no more risky than other sports but are extra careful because we are aware of negative stereotypes around skating.

We have sought to develop a training system linked to NZQA and existing coaching qualifications for our coaches, and to link our programmes somehow into school standards such as leadership (with credits) so that high school students can benefit from their interest in skateboarding, but this project is currently on the ‘back-burner’ as we have focused on primary and intermediate aged children so far. Certainly growth would probably occur through franchising so we will seek out expertise – i.e. appoint a Board of Directors - when we feel ready for this next phase. Qualifications and safety processes would be central to this model and so our operational processes need to be well developed before we grow.

A key founding value is our anti-competitive philosophy. We have had opportunities to become involved in competitions, but have committed to staying true to this foundational value. This is because even though we view inter-school competitions, for instance, as a positive development in terms of skateboarding gaining acceptability in schools, we are based on a learning system that eschews competition, so we avoid promoting anything that clashes with this value. We have
made an active decision to avoid competitive skateboarding. We want to offer a distinct and unique alternative to adult-driven competitive sport.

The relationship building activities mentioned above have been cemented by the kindness of many within the skateboarding community who have helped us by donating gear and generally helping out on a voluntary basis (especially with the Skate Therapy project). Skate retailers have been very generous with their time and support and we have tried to work with them to promote sales. Penny Boards, a large Australian supplier, has donated our Penny Boards which we use in schools and Dialled Skatepark (Department of Adventure) has donated most of our scooters. Element, a large skate brand gave us a number of portable obstacles which we also use in our more advanced programmes. Underground Skate lent us a van, and they, along with Ultimate Boards, have helped us source safety gear at a reasonable price. The skateboarding industry is very product focused as there is no national or even local professional association or clubs and so our service-based initiative in the industry has been embraced by retailers. We insist on a cooperative model of doing business as much as possible. By this we mean we do not see our environment as competitive but as cooperative. We seek to work with anyone that will work with us for the overall aim of growing the industry, promoting understanding of skateboarding, and using it to further social objectives.

Like skaters themselves we are mobilising social media and video in promoting ourselves and helping people understand what we do. We have attracted much media interest, with a number of media articles in local papers (http://www.onboardskate.org.nz/press.html). The Everyday Skate programme was recently filmed for a news profile for an international news syndicate. Facebook helps create and sustain a community of people interested in our venture (like us at https://www.facebook.com/onboardskate). In the coming summer months we have programmes being run in public skate parks which are based on the Australian
Skateboarding Federation’s ‘Break and Enter’ programmes\textsuperscript{16}, which aim to introduce new skaters to public skate parks and help them feel comfortable there. Like skateboarders we have come to look at the city as a playground, and everywhere there is flat concrete we see the potential for an OnBoard programme. We have tried many different locations around Auckland, putting them to uses they were not built for (but always with permission).

CONCLUSION

The response to the venture has been overwhelmingly positive. The key service concept is constantly evolving as the owners have learned how to secure a sustainable cash-flow for a new and unique service in a dynamic market. The owners initially used learning characteristics peculiar to skateboarding to help them understand their own core idea and guide the development of the service. Characteristics of skateboard learners include: intrinsic motivation; risk-taking; learning by mistakes; incremental development; learning through real-time meaningful feedback (Seifert & Hedderson, 2010); and integration into digitalised media like online video and social media (Jones, 2011). Several factors have been critical to securing a future for the venture: for instance, healthy risk-taking and developing a positive attitude to trial and error experimentation around processes and new programmes. Another similarity between the experience of venturing and skateboarding includes the role of intrinsic motivation, so that the success or failure of the venture was not a primary concern so much as the enjoyment of the activity in and of itself. Skateboarding is a metaphor for an entrepreneurial learning system and so much can be learned from studying and applying it regarding social entrepreneurship.

\textsuperscript{16} Break and Enter promoting cultural harmony in Cairns, Australia – a government funded programme - http://vimeo.com/31767255
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Governance and Accountability of the Scaling-up Process of Social Innovation - The Case of Marina Orth Foundation.

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ABSTRACT

Policy makers have increased their interest on social innovation to solve the social challenges and social innovators are searching for new forms to scale-up their ideas to increase their impact. Through the case of the Marina Orth Foundation in Colombia this paper underlines the process, patterns and structures that enable the scaling-up process of ideas. Furthermore, this study involves an analysis of the governance and accountability of the different models that scaled-up to determine the limits and conflicts of scaling-up within a multi-actor framework.

KEYWORDS

social innovation, scaling-up, governance, accountability, policy

INTRODUCTION

Policy makers are looking for innovative and effective ways to coordinate actions between multiple actors in cities to face urban challenges. Recently social innovation has become a center of attention due to its potential to provide solutions to some of these challenges. In 2006 in the Davos conference Nicholas Negroponte, Director of the MIT Lab, stated that they would design a computer that will reach 7 million children in developing countries in two years with a cost of 100 USD per computer (Kane et al, 2012). One year before this announcement the Marina Orth Foundation was starting a model to reduce the digital divide, enhance leadership and English in a public school in Medellín, Colombia. These two initiatives would collide to create a new collaborative model between public, private and social actors that went from impacting 400 students in 2004 to nearly 15 thousand in 2013. How are social entrepreneurs building trust and accountability among public and private partners throughout the creation and scalability of an idea? How are these collaborative models governed and accountable throughout the scaling-up process? What are the limits and challenges to sustain innovative models among multiple actors? This
paper will discuss this questions focusing on the social innovation model of the Marina Orth Foundation that started in Medellín, Colombia.

The study of social innovation under a public and governance sphere has mainly focused on European and American cities. With a non-European and non-American case study this paper underlines how social innovations are not only attached to the context of a city but to a series of formal and informal diffusion networks that built credibility and trust among different stakeholders at global and local scales.

The Step-by-Step model developed by the Marina Orth Foundation underlines an interesting case study because of its capacity to build collaborative efforts between multiple actors and the holistic approach on education that involves improvements in learning environments, pedagogical training and leadership. Also the different forms of scaling-up –direct or indirect- to 6 cities with different structures feature an interesting framework to compare the accountability, responsibilities and structures of scaling-up social innovation. To proceed with this analysis each scaled-up model must be contextualized within the territory and the actors involve. This includes a multiple location approach on how governments are identifying new solutions and building collaborative arrangements that must be stressed as a process of solving local development problems that involves public-private-partnerships.

Even though the Marina Orth Foundation is seen as success story in terms of impact and scalability we have to take a closer look of the different models that have scaled-up to determine the accountability and governance of this social innovation. This involves a comprehensive analysis of the diffusion channels and capacities build upon the different public and private actors. To address this issued this paper follows a holistic approach of the networks, structures and capacities that facilitated the creation and scalability of the Marina Orth Foundation model.

Understanding the dynamics of scaling-up of social innovation can provide effective mechanism to empower and innovate in governance. This research compromises a better understanding of the dynamics and problems of identifying and scaling-up a social innovation. Furthermore it determines the key issues involved in the scaling-
up process from a governance and decision-making perspective. The analysis includes an evaluation of how accountability affects the relationship between different stakeholders involved in the replication process. How are actors building capacities to scale-up ideas and confidence through out time? This study will contribute to the discussion of social innovation with an integral focus that involves social entrepreneurs, urban developers and social studies.

This study uses qualitative and quantitative methods to underline the two approaches of the research question: processes of scaling up social innovation under multilevel governments structures and addressing the accountability of social innovation throughout this process. This research involved interviews to public, private and social actors involved in the scaling-up process from the municipality, department and national government. It was also undertaken with the analysis of news articles, research papers and policies of social innovation. Likewise it involved a series of tangible outcomes in terms the impact of the model implemented by the Marina Orth Foundation using the national education tests ICFES\(^{17}\). Within this two research methods this paper addresses the limits and conflicts between the different models that scaled-up to grasp the patterns of accountability.

This paper does not attempt to define social innovation as such but to use it as an analytical instrument to understand the process of governance and accountability of a collective action in cities. To undertake this discussion this work is structured in the four categories. First it frames social innovation within an urban governance context. Then it grasps the contextualization of the Marina Orth Foundation and its Step-by-Step model. Afterwards it underlines the processes, structures and capacities of the scaling-up process of their model upon different actors and modalities. Finally, this research discusses the limits, conflicts and ideas of governance and accountability of this process of scaling-up social innovation using the case study as a reference.

\(^{17}\) The ICFES is the Colombian Institute for the Promotion of Higher Education. It implements semiannual tests for all the schools in the country.
FRAMING SOCIAL INNOVATION

The term social innovation has been used in numerous ways and the first references can go back to 1980s were researchers started to use this term in social sciences and humanities. From there the terms has been applied to social enterprise and social entrepreneurship, technological innovations with social benefits and corporate social responsibility (Caulier-Grice et al, 2012, p. 5). Addressing a single definition can be complex to achieve due to the variety and different approaches it compromises. This research will frame social innovation under the social entrepreneur framework as a form of constructing a public action with public actors through the diffusion of ideas and the composition of hybrid relations between social, private and public actors. The following figure illustrates this conception of social that involves multi-sector collaborations.

Figure 1: Multi-Sector Structure of Social Innovation

As figure 1 illustrates social innovation is not limited to one sector but the result of multiple collaborations between different actors. Social innovation can happen “in all
sectors, public, non-profit and private” and the “most creative action is happening at the boundaries between sectors” (Murray et al. 2010. p. 3). Under this working definition of social innovation this paper will underline social innovation as a multi-sector collaboration process built upon networks and credibility. This process must be addressed under the behaviors of individuals or organizations that make changes happen and drive ideas into models (Mulgan, 2006). Social innovators must find capacities to “attract resources, time, power and attention” (Mulgan, 2012, p. 34). This process involves identifying a social necessity and going through a learning process that connects knowledge, capacities and resources that transform ideas into actions. Within this process social innovators can build credibility and trust among multiple stakeholders to scale-up their model with multiple public and private actors.

**Scaling-Up within a public sphere to transform models into policies**

To scale-up social innovations “[i]t is not enough to have a good idea, not enough to promote or even to show its relevance. At each stage of social development a new kind of collective capacity may be needed which then calls forth the innovation” (Mulgan, 2012, p. 57). Focusing on social innovations governments are empowering new actors and amplifying visible social solutions that have built “credibility”. This process involves new relationships that are not unilateral between the government and the civil society (Kooiman, 1993). The union of actors involved in the collective action of the decision making process and the outcomes of the implementation of a policy can be dispersed among the actors involved (Phares, 2004).

Urban governments have experienced a share in the accountability of a public policy because of empowerment of actors (Miraftab, 2004) and there is a mixture of top-down and bottom-up approaches in the policy process (Matland, 1995). There has been a broad discussion of the about “the need for collaboration (OTS, 2009) and co-operation between organizations, but very little work has been carried out on understanding the process of building these relationships” (Fergus, 2012, p. 139). Thus this research not only focuses on the need of this relationships to create collaborative actions but the understanding of the process that facilitate this collaborations between multiple actors to scale-up social innovation.
Scaling-up social innovation “comes when an idea proves itself in practice and can then be grown, replicated, adapted, or franchised. Taking a good idea to scale requires skillful strategy and coherent vision, combined with the ability to marshal resources and support and identify the key points of leverage” (Mulgan, 2006, p. 153). This process of scaling-up must involve two conditions “propitious environment and organizational capacity to grow” (Mulgan, 2006, p. 153). This process is achieved through a learning process that adapts and transforms ideas into actions. Two different types of scaling-up can be identified: direct or indirect. The direct scale-up involves the express involvement of the organization in the process of replicating their innovation and the indirect is an involvement through consulting that gives a third party a model to scale-up. This paper discusses how the scaling-up process can be framed in different dimensions and account for different results in terms of collaboration.

**Why governments matter?**

The focus of innovation in social sciences and public policy studies has mainly focused on the technological and economical aspect of innovation leaving aside the social dimension. Innovation within this governance context has been studied and framed under economical and technological aspects but not within the social dimension. It must be approached in a different perspective “from economical innovation because it’s not about introducing new types of production or exploiting new markets by is about satisfying new needs not provided by the market” (OECD, 2011).

Social innovation has been addressed form an analytical and normative approach in several dimensions. From an entrepreneurship, organizational, sociological and creativity approach the assessment of social innovation has left aside the political and territorial dimension (Moulaert et al, 2004). To address the weight of social innovation there must be a clear comprehension of the interactions of the scaling-up process with the state (Novy & Leubolt, 2005). Social innovation organizations face critical challenges on: 1) the scaling-up of their actions to influence public actors and
2) their capacity to solve problems is limited to a small share of the population (Lewis & Kanji, 2009; Hartmann & Linn, 2008).

With this challenges the rise of social innovation in the public arena can be underlined as a response to growing social, environmental and demographic challenges (Maulaert & Hamdouch, 2006). Others address social innovation as a reaction of the “failure” of the modern welfare state, resource scarcity, impact of globalization and impact of mass urbanization (Nicholls & Murdock, 2012). Furthermore social innovation can be comprehended as way of filling the gaps in the welfare state to face social challenges (Moulaert et al, 2004). In this sense “social innovation connects with an established tradition of welfare reform based upon the notions of increased efficiency and effectiveness under conditions of financial scarcity and almost limitless demand” (Nicholls & Murdock, 2012, p. 2). It’s challenging “the status quo to change power that allocate goods and services ineffectively or unequally” (Mouler, 2009, p. 12).

In recent decades social innovators capacity to diffuse ideas and the interactions between actors has grown thanks to new communication technologies and globalization. The new channels of diffusion are transforming the way of interacting and creating international networks of policies and solutions where cities exchange experiences in public policy management (Dobbin et al, 2007). The new channels of communication are enabling mobilization of ideas opening new policy windows. This opens the possibility of diffusing at global scale local innovations to approach the urban challenges. Policy makers are increasing their awareness of the importance of detecting social innovations. This rise of the civic society and social innovations diffusion can be correlated with the shift from “government” to “governance” that involves multidimensional actors (SINGOCOM, 2005). Governing in this sense can be assumed as the ability to create a collective action with multiple institutional actors. The “governance” capacity must be conceptualized with a range of levels of powers and capacities to undertake the process of scaling-up social innovations. Thus social innovation under a governance framework is a “collaborative strategy” to handle “unequal spatial resources” to solve the social challenges (Mulgan, 2006). As Mulgan says, in his article Process of Social Innovation, “governance is seen as
collective action by private, public, and corporate agents regarding public goods, spatially relevant resources, cultural values and action resources” (2006).

Governments have played an important role in funding NGO’s in countries like U.S Germany and Japan. In these countries they can provide around 30 to 40 percent of the total funding of these organizations. Nevertheless they provide a large proportion of the funding the accountability on outcomes or the scalability of “good” social innovations is limited because of the few incentives to the public actors (Mulgan, 2006, p. 156). The public sector has capacity to scale-up social innovations because they can pass “laws; allocating public expenditure; and conferring authority on public agencies” (Mulgan, 2006, p. 153).

To understand the dynamics of the relationship between governments and social innovations there must be a framework that involves multilevel governance structures in the funding of these collaborative models. This involves the funding capacities within the territory. Each governance structure must have capacities to administrate and operate the scaling-up of social innovation. Thus coordination and co-operation among multilevel government structures “can provide a means of exploiting economies of scale in service provision” (Chernick & Reschovksy, 2006, p. 432).

Not only are the funding capacities limiting the scaling-up of social innovation but also the lack of incentives for the public actors. There are no clear mechanism of trust and credibility to support innovate models that are trying to improve the social challenges. “Trust can be defined as an expectation of others’ behavior (Zuker, 1986, p.54, Gambetta, 1988, p. 217) with confidence based on personal relationships or knowledge that there are institutions that can ensure of enforce expected behavior” (Nicholls & Murdock , 2012, p. 142). This credibility can be based on past or expected interactions or on the background of the relationship (Zucker, 1986, p. 60). Building trust is a process of interactions and also informal networks. These networks enable the building of stronger relations. The building of trust with face-to-face relations could be crucial to enable accountability, transparency and also sustainability of social innovation projects that scale-up (Mawdsley et al, 2005).
Not only the way relations are built is important but also the way the projects are accountable for the outcomes. Therefore addressing accountability in social innovation can't be measured with price values as a commercial innovation but with non-market values (Mulgan, 2010).

Social innovation can't be seen as a momentary instrument but a process of continues change of the social relations, institutional power and power relations (Moulaert et al, 2004, p. 1978). How are these institutional arrangements accountable for the results of the social innovation? How are these arrangements shaping and institutionalizing social innovation? Can the shift from operacionalization of the social innovation from organization to governmental account for the same impact and results? How are the stakeholders involved able to shape new ideas and adapt social innovation during the scaling up-process to public policies? To start grasping this discussion on social innovation the following section of this paper proceeds to the contextualization of a territory and a problem that lead to the creation of the Marina Orth Foundation educational model.

**A NEED FOR INNOVATION**

“Social enterprise that dominate in the region is usually determined by the local characteristics of the region” (Kerlin, 2012, p. 66)

The process of creating a social innovation involves the identification of a necessity, building social cohesion and capacities to underline opportunities, and actions to transform a social challenge. This involves having a strong civic engagement, networks of support and global links to bring resources and capacities to one place (Mulgan, 2006, p. 155). The Marina Orth Foundation model is the result of a context that involves territorial necessities, informal and formal networks and a political dimension that facilitates the establishment of a collaborative model. This involves the framework of a territory, the innovator and a series of networks that connect ideas, capacities and resources.
Contextualizing a necessity

Located within a valley of mountains Medellin is the second largest city in Colombia with 2.5 million inhabitants (DANE, 2010). Within its natural boundaries the informal and formal city encounter in a process of urbanization that is not only the result of economical incentives and opportunities but also the product of violence displacements from illegal groups from the countryside. With 70% of urban territory and 30% of urban territory Medellin has 16 Comunas -districts- and 5 Corregimientos -rural districts- (MedellinGov, 2004). The Marina Orth Foundation first project was located between the boundaries of the rural and urban areas of the city in the Corregimiento Altavista. The following map shows the location of the Marina Orth Foundation first project.

The location of the Marina Orth Foundation first project is within a territory that is neither urban nor rural but in current transition because the urbanization process in the city. This Corregimiento has been an entrance point of the forced displacements from the countryside and also a center of illegal activities from the guerrilla, paramilitary and drug traffic groups that started to dispute the city in the early 1990s (Memoria Histórica, 2011). Out of the 30 thousand inhabitants of Altavista 23% said that they haven’t lived all their life in the Corregimiento and 4 out of 10 settlers out of this percentage arrived due to forced violence displacements (DAP, 2011). Thus a great proportion of the urbanization of this area is the result of violence in the countryside. As result this territory is a space of exclusion, inequalities and poverty in the city. In the following graph we can see the gaps between this Corregimiento and the other districts in the city though the Human Development Index.
Figure 2: Territory of Medellin – Location of the Marina Orth Foundation

Marina Orth Foundation  Source: Municipality of Medellin

Figure 3: Human Development Index Medellin- 2010-2011

Source: Quality of Life interviews (2012). Municipality of Medellin
This graph underlines the gaps in terms of quality of life – education, income, health-between the districts and the Corregimientos in the city. This inequality is not only present in the Corregimiento of Altavista but also between the rural and urban areas. Only 1.8% of the population has superior education and only 26.5% of the people that have the age to study primary or secondary education have a diploma (CEAP Plan Eco, 2003). These figures stress the challenge in terms of education in Altavista.

**Why education matters?**

According to the OECD achieving more years in education will results in higher earnings, better health and longer life. Education is also seen as a fundamental component to help people escape from poverty and participate actively in the development process (World Bank, 2009). Improving the access and quality of enables competitiveness, and social and economical opportunities. It has shifted from being a privilege of the dominant groups or elites to a mass or universal objective.

In the last decades Colombia has gone through an improvement in terms of access to education under the UN Millennium Objectives, but there are still great gaps between the access and the quality of the education. These gaps in quality can be seen within a global context and a national context where the gaps between public and private education are enormous. The PISA test taken in 67 counties can be a good comparative measure to underline the challenges for education in Colombia. In this scores Colombia is ranked among the last only after Kazakhstan (OECD, 2010). It also has a lower score than nearby countries such as Mexico, Chile and Uruguay. Colombia is not only facing quality challenges at a global level but also there are inequalities between private and public schools in the country. If we take a look at the country secondary education tests –ICFES- there are abundant gaps (ICFES, 2012). In Medellin only 3% of the public schools are present in the top 1.000 of the national tests and 8 out of 10 persons go to public schools (MedellinGov, 2012).
Education must be addressed with several dimensions. Quality in education can be achieved through multiple approaches (UNESCO, 2012). This includes improvements in the learning environments, health, early childhood and pedagogical capacities of teachers. This paper will later underline how the Marina Orth Foundation model addressed the different dimensions of education and how they were scaled-up the different cities.

Creating the Social Innovation Model

Under these territorial challenges the Marina Orth Foundation is a process of connecting capacities, networks and knowledge to build a model. The following section of this paper was elaborated through a series of interviews with the directors of the foundation, and the private and public actors involved in the creation of the Marina Orth Foundation model.

The first contextualization of the foundation goes back to the sixties when the American journalist Maureen Orth went to Medellin, under the Peace Corps\textsuperscript{18} program, to work early childhood programs in Altavista. Her initial work was transformed when the community approached her with the idea to build the first school in their Corregimiento. Maureen, through a friend in the Federation of Coffee in Colombia\textsuperscript{19} was able to obtain the initial resources to build a two-classroom school for 35 children. The community, through the Local Community Board\textsuperscript{20}, donated the land for the school and through a group volunteers the community with the help built the first school in the Corregimienito. The school was named “Institución Educativa Marina Orth” –Marina Orth Education Institution- in honor of the work she did for the community. This initial background of the foundation is crucial to understand the creation of the model 40 years later when Maureen returned. This initial contact gave Maureen a strong link with the community and informal connections through time.

\textsuperscript{18} This program invited young American’s to go as volunteers to developing countries to work on education and health social projects. (Peace Corps, 2012)

\textsuperscript{19} The Federación of Coffee was developing a program to build schools in rural areas. According to Cristina Restrepo, member of Fraternidad Foundation, they built most of the rural schools in country in the sixties.

\textsuperscript{20} The Local Community Board is an institution within the Colombian government that regulates policies at local level. The members are elected by votes.
Maureen went back to the United States after the 2 years program and continued a journalist career writing in Newsweek, New York Women, Vogue and finally Vanity Fair where she still works as a correspondent. During this time she continued to help this school by informal channels sending textbooks and helping with some resources. This informal aid was without a “clear emphasis” to improve education says Luis Fernando Sanchez, Director of the Marina Orth Foundation. It was a philanthropic support that helped Maureen to stay connected with the school and the community she helped built in the sixties.

Starting a model at the right time and context

In 2004 Maureen was invited to Bogotá to cover a news story for Vanity Fair and she decided to go to Medellin to visit the public school she had build 40 years before. During this visit Horacio Arango, Secretary of Education of Medellin, contacted Maureen and invited her to talk about the school. In this meeting Maureen and Horacio discussed about a project that will later become the Marina Orth Foundation social innovation model Step-by-Step. Maureen and Horacio did a verbal commitment to transform the Marina Orth Public School into the first bilingual school in the country. After this visit Maureen returned to Washington with the commitment to make this idea a reality. Maureen had no knowledge or experience in education but she was committed to make this agreement a reality, says Luis Fernando. Before discussing the process of the model it’s important to frame the political dimension that facilitated the interest of the public sector in education projects in the city.

Political capacity, will and resources

Since the early 1990s through a new constitution Colombia experienced a decentralization process that gave the municipal the administrative, political and fiscal autonomy over its territory. This involved also the responsibilities of education within a territory. In 2004 in Medellín a new government started with a development plan called “Medellín the most educated”. As the development plan name suggest the aim of this new administration was the improvement of education (MedellínGov, 2004). This program involved several dimensions of improvement of education. One
of these dimensions was a program called Schools of High Quality that aimed to improve the infrastructure of 128 schools and the creation of 10 new schools in vulnerable territories in the city. This policy was funded by a donation of 80 million dollars from EPM – Public Utility Company owned by the municipality (MedellinGov, 2004). Within this policy and development plan the Marina Orth School was selected to become one of the schools of high quality in 2005. There was a strong political “will” to support education projects and public resources destined to education.

Knowledge and Capacities

Back in Washington Maureen meets Esteban Piedrahita that was working in the Embassy of Colombia. In this meeting Maureen found out about the Gabriel Foundation in Cali that was working to improve education in schools through the appropriation of technology and English. She was invited to go to Cali to visit this model of education and to talk with the actors involved. In this visit she learned about their model and the name of Luis Fernando Sanchez appears in a meeting. Luis Fernando was a former teacher of the institution that helped to create the first model in Cali and was at that time living in the United States. Maureen got in touch with Luis Fernando when she returned to Washington. At that Luis Fernando had no intention to return to Colombia because of some personal issues but he agreed he would make a visit to the Marina Orth School in Medellin.

During this first visit to the school Maureen had already talked with the school administration and when Luis Fernando arrived the teachers had prepared a commitment letter saying that they will support the project that Maureen wanted to develop in their school. After this first visit Luis Fernando reported to Maureen that the school had only 4 computers, non-existent Internet connection and only the possibility to study until ninth grade. Even though Luis Fernando was not planning to go back to Colombia he was motivated by the commitment of the teachers of the school. He says that he “wanted to do this project as a personal challenge” and that he was going to write a proper education plan called Step-by-Step.
Luis Fernando presented the plan to Maureen Orth and she said it was “too big” but she thought it was going to be a good idea. They decided that Luis Fernando would go for 6 months to INCA – school supported by the Gabriel Foundation- in Cali to learn how they were teaching informatics and English in the schools. In Cali, Luis Fernando was trained in English and informatics skills. During this process of learning the teaching methods in Cali they realized that it could no longer be a project but they had to create a legal institution to support the idea. In this moment they decided that they had to constitute a non-profit organization, the Marina Orth Foundation. This period in Cali was not only a process of acquiring skills but also the moment the Marina Orth Foundation was beginning to be formalized.

**Testing a Model**

The 14 of July of 2005 Luis Fernando went back to the Marina Orth School in Medellin and started a 3 day formation program with the teachers on informatics and English. With the support of Maureen’s connections in the United States Intel donated 15 computers, Silicon Valley 40 refurbish computers and Foto Japon - Colombian company- 10 computers. They created an agreement with the Colombia Americano – English learning institution- to give 2 scholarships for students of the school to learn English. These first months were very complicated according to Luis Fernando because the teachers didn’t want to commit with the program and he was having problems with the director on the pedagogical implementation of computers in the class. During this time of initial conflicts to implement the model the Ministry of Education, in coordination with the municipal and departmental secretaries, did the Teacher and Directives Contest to evaluate the teaching and managing skills. Through this contest the school director was removed and translated to another school and all the teachers except two were fired. His work with these teachers was lost but he started with new teachers and a new director that enable more spaces to introduce the program in the school.

This same year under the program Schools of High Quality in the Municipality the Marina Orth School was selected as one of the 128 schools of the policy. Under this policy the Marina Orth School improved the infrastructure with a new coliseum,
schoolrooms upgrades and some technology improvement with the help of Medellin Digital -institution of the municipality in charge of providing digital equipment's for communities.

**Formalizing an idea**

In 2006 the Step-by-Step model was formalized through the creation of the Marina Orth Foundation. Before this formal and legal institution all the actions to improve education were done through informal channels between Luis Fernando, Maureen Orth and the Secretary of Education. These channels were built after the first conversation between Maureen and the Secretary of Education in 2004. Also they signed a document with the board of directors of the school that enabled them to implement this model. Luis Fernando describes this first years as a process of “Mucha Lucha, Muchas Lucha” - “lots of struggle, lots of struggle” because of the lack of support and difficulty of implementing an innovative model in a public institution. The first years of the Step-by-Step model was a process of formalizing an idea through a legal institution and the acquisition of capacities and knowledge. It was also a process of building collaborative efforts between the school, the public and private actors involved in this pilot school.

Through the formalization and establishment of the teaching skills in the first years the Marina Orth Foundation started a project to address a different dimension of education in the community that is early childhood. This dimension was crucial for Altavista because of problems of violations, lack of good alimentation and recreation in early childhood. According to the UNESCO the first five years of live are crucial to develop the sufficient cognitive capacities to learn (2008). Thus addressing this issue was fundamental for an integral approach on education.

In 2007 with the help of Santiago Londoño, former council of Medellin, they contacted the general manager of the INDER –Institution that manages recreation centers in different parts of the city. In this meeting they agreed that they would create the first primary education and recreation center in the community to address early childhood. The institution was named Ludoteca INDER Fundación Marina Orth
and the role of Marina Orth Foundation was to administrate this early childhood center. In this center the children from 0 to 5 years had proper nutrition and recreation supported by the Marina Orth Foundation and the INDER.

Consolidating a model of social innovation to scale-up

“Ideas are shaped through trial and error” (Mulgan, 2006, p. 34)

Since the first meetings in 2004 with the Secretary of Education until 2007 the Marina Orth Foundation went through a process of “trial and error” to acquire knowledge, capacities and experience in the education sector. This involved a collaborative framework of private, public and social efforts. Luis Fernando points out that 2008 was the year were the Step-by-Step was finally consolidated. This involved not only the capacities in terms of formation of teachers in English and technology but also a new tool that facilitated education through technology. Through Eugenia Londoño, member of the board of directors of the Foundation, Maureen meets Margarita Vanegas, Director of the Chevron Petroleum Company for Latin America. In this meeting Maureen was told about a program created by MIT called One-Top-Per-Child (OLPC).

The OLPC program was launched in 2006 in the World Economic Forum when Nicholas Negroponte, former Director of MIT Media Lab, said that they would create a computer to “empower the children of developing countries to learn” (Kane et al, 2012, p. 61). The objective was to design a computer with a cost of 100 USD to distribute in developing countries through governments to reduce the digital divide. The computer was named XO and was designed with free software and materials to resists complex climate conditions. Even though the initiative was launched in 2006 the first distribution of computers was executed 2008. One of the first countries to implement the OLPC program at large scale was Uruguay with the Plan CEIBAL that involved more than 500 thousand computers for all the schools in the country.

After Uruguay other countries followed the initiative but there were gaps between the objectives at the beginning of the project and the reality. The computer that was
going to cost 100 USD ended costing around 200 USD. Also the objective of reaching 7 million students in 2 years was transformed into 2.5 million in 5 years. The initiative was designed to reduce the digital divide not only through an instrument but also through pedagogical improvements. However the OLPC Foundation, non-profit organization, became an organization that “sells” computers rather than a pedagogical facilitator. According to Kane, one of the directors of this organization, this was done this way because of the lack of sustainability capacities of the project (2012).

Under the OLPC global initiative the Marina Orth Foundation decided to use this computers for their Step-by-Step model. Luis Fernando says that they created their own model of OLPC because at that time the OLPC Foundation was only selling computers and not inducing new models of improvement in the pedagogical dimension of education. The incorporation of this tool involved two main items to the Step-by-Step model. The first was that each child from first grade to fifth grade was going to have an OLPC, and the second that they had to increase the connectivity in the community to facilitate the usage of this equipment. The first 230 OLPC were obtained thanks to a donation from Chrevron that also provided some resources for the pedagogical component of the project (El Colombiano, 2008). For the connectivity in the community Motorola, donated the tools that enabled Wi-Fi access to all the community (Motorola, 2008). This first multi-actor collaboration involved international companies, global tools -OLPC- and a pedagogical model that the Marina Orth Foundation created.

With the use of OLPC, Step-by-Step started to integrate informatics, connectivity and pedagogical mythologies to improve the education quality in the school. The foundation was in charge of integrating this open source and constructionism education tool to the teaching program. This education model “focuses not on imparting knowledge to children, but rather on building a core set of skills that enable them to be problem solvers, critical thinkers, and innovators” (Kane et al, 2012, p. 92). Under this framework the teacher becomes a facilitator that actively constructs with the students throughout the learning process. This conceptualization of
education is an innovative approach for a public school in Colombia that focused on a top-down formation.

**Step-by-Step: Towards and integral education model**

The Marina Orth Foundation social innovation model is based on the pedagogical strengthening of teachers and students through technology and bilingual skills. Their objective is to “a model education that can be replicated through public-private partnerships so that economically deprived students in Colombia and elsewhere, no matter their race, gender or background, can compete globally” (FundaOrth, 2013). The model is created through a private-public-partnership were different actors interact in a collaborative way in public schools. According to Marina Orth Foundation the main goals of their education model are: reduction of digital gap, poverty mitigation, leadership, empowerment, quality of education and equity. These objectives are managed through the improvement of learning environments and teacher capacities. The following graph illustrates the years of school and the different interventions involved in the Step-by-Step model.

**Figure 4: Model Step-by-Step**

```
Ludoteca Marina Orth  |   Marina Orth School |   Higher Education
Cognitive             |   OLPC               |   Robotics
                      |   Leadership         |   English
                      |   English            |   Technology
                      |   Teachers           |   Community
                  0 (years)  5  10  15  18
```

The Step-by-Step model is “innovative” because of its multi-actor dimension in the education sector. The first point to stress is the collaborative scheme that it enhances between public-private actors. The public sector facilitated the creation of the model and also supported the improvement of infrastructure of the first school. Through a series of networks and overpassing complex challenges the foundation was able to attract resources from the private sector to sustain the process of the model they want to implement. This partnership doesn’t involve only local actors but
international stakeholders. The following table underlines the actors, responsibilities and sectors involved in the informal creation of the model.

**Table 1: Actors involved in the informal model**

<table>
<thead>
<tr>
<th>Sector</th>
<th>Actors</th>
<th>Responsibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social</td>
<td>Maureen Orth &amp; Luis Fernando</td>
<td>Social entrepreneurs that started the project. Maureen built the school in the sixties and continued to have informal relationships with the community. Luis Fernando became the manager and implementer of the idea.</td>
</tr>
<tr>
<td>Public</td>
<td>Secretary of Education</td>
<td>Through Horacio Arango, Secretary of Education, Maureen was invited to start the project. It was a commitment based on trust.</td>
</tr>
<tr>
<td>Non Profit</td>
<td>ICESI - Gabriel Foundation - Cali</td>
<td>Capacities. They trained Luis Fernando on English and informatics teaching skills during 6 months. With this knowledge Luis Fernando then created the model in Medellin.</td>
</tr>
<tr>
<td>Private</td>
<td>Intel - Silicon Valley - Foto Japon</td>
<td>Donation of the first traditional computers to the school. Informal support based on trust on the project.</td>
</tr>
</tbody>
</table>

Source: Author elaboration based on the information of Marina Orth Foundation

This table of actors and responsibilities of the creation of a model is a process of informal networks and connections that Maureen and Luis Fernando had at local and international levels. They were able to connect capacities, knowledge and actors to create the foundation. In 2006 the foundation was created and in 2008 the Step-by-Step model was consolidated through the collaborative scheme and OLPC. The following table underlines the actors involved in the stage of consolidation of the model.
Table 2: Actors involved in the consolidation of the formal model

<table>
<thead>
<tr>
<th>Sector</th>
<th>Actors</th>
<th>Responsibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public</td>
<td>Secretary of Education</td>
<td>Facilitated the project and improvements of infrastructure of the school.</td>
</tr>
<tr>
<td></td>
<td>Marina Orth School</td>
<td>Public institution where the model was implemented. Teachers and Directors accepted the program.</td>
</tr>
<tr>
<td></td>
<td>INDER</td>
<td>Early Childhood School in the Community operated by Marina Orth Foundation.</td>
</tr>
<tr>
<td>Non Profit</td>
<td>Marina Orth Foundation</td>
<td>Creation, operation and coordinator of the Step-by-Step model with the support of private-public actors. Training teachers and implementing the model.</td>
</tr>
<tr>
<td></td>
<td>OLPC Foundation</td>
<td>Producer and distributer of the computers for the school.</td>
</tr>
<tr>
<td>Private</td>
<td>Chevron - Motorola</td>
<td>Resources for the implementation of the model with OLPC and connectivity through Wi-FI</td>
</tr>
</tbody>
</table>

Source: Author elaboration based on the information of Marina Orth Foundation

Through this series of collaboration efforts the Marina Orth Foundation was able to establish different dimensions to improve education. This involved early, childhood, learning environments, pedagogical capacities, leadership, and support of the community and secondary education. These educational features are explained in the following part.

**Early Childhood**

With the Ludoteca INDER Marina Orth the model is addressing the pre-primary education in the community. This part of the project is not only providing a space for primary education but also the protection and nutrition for children to have the necessary cognitive capacities to learn. Through this program the children will have the sufficient cognitive capacities to learn (UNESCO, 2008).
Learning Environments

The learning environments are the structures and education tools that help improve education quality. In the Marina Orth Foundation pilot model there were several improvements in terms of learning environments. The learning environment improvement can be addressed in three scales: technology, connectivity and infrastructure. The first two dimensions are the result of providing children from first grade to with one laptop per child. This is giving students an important tool to learn. The OLPC is a basic computer that enhances learning process at early education levels and thus the dotation of regular computers for the next grades is crucial.

The second element is connectivity through the Wi-Fi network donated by Motorola. This improvement enables the usage of Internet that gives access to knowledge from all around the world. The third factor in terms of learning environments is the improvement of the school structures and facilities. This was made not directly by the foundation but by the collaborative model where the municipality improved the school infrastructure and also gave them through the Medellin Digital project some computers and digital boards. Thus this external collaboration improved the facilities of the school.

Pedagogical capacities: Training teachers

“If you really want to reform education in Latin America or in the developing world you have to retrain teachers”

Maureen Orth (TechCrunch, 2010)

Giving a computer or improving the infrastructure by itself won’t improve the quality of education. “It is through active creation of tangible things that can be shared with others that learning truly happens” (Kane et al, 2012, p. 97). Even before OLPC the Step-by-Step model was focused on the training of teachers in schools in informatics and English. This training focused on the integration of the computers as a pedagogical tool for the classes. The school has constant support of two team members of the foundation to help, train and develop their pedagogical model.
Leadership

The foundation created a group of monitors with the most advanced students to help students from lower grades. With this dimension the social innovation model is empowering students to be part of the learning process of “how to do”. Daniel Aristizabal a 10th grade student says, “my mission is to help and teach the students how to use the computers” (Colombia Aprende, 2009).

Additionally, the Step-by-Step model created a methodology to have a class leader in charge of supporting the teacher in the learning process. This student has to ensure all the classmates have their computer working for class and supports the teacher on the tasks giving to different students. This feature of leadership will be further discussed with one of the scaled-up models the organization developed.

Community, Scholarships and Connections

Another important dimension to underline of this model is the direct involvement of the community. The parents of the students had to take basic skills courses on systems to support the children learning process and also they had to sign a commitment letter that made them responsible for the computer. Through this appropriation of the model the learning process was not only present in the school but at home.

The second indirect element of improvement is the English scholarships that the Foundation gives to best students with the support of the Colombo Americano in Medellin. Even though, the scholarship are limited to a small number of students this incentive motivates students to have a good performance in school. Finally, the foundation has provided scholarships for higher education with the support of private companies.
Analysis of the creation of the Step-by-Step model

With Step-by-Step the Marina Orth Foundation is aiming to have an integral education model following the UNESCO framework. However we must address the accountability of this model looking at the collaborative framework built and the tangible/intangible outcomes. The first tangible outcome can be seen as improvements in infrastructure and technological capacities –computers and Internet access. Another outcome that must be approached is the intangible measurement of the improvement of education. Has this model really improved the quality of education since it started to be implemented? Was this model able to build collaborative efforts?

In terms of capacities to build collaborative actions between public and private actors the Step-by-Step model of the Marina Orth Foundation has been successful in the sense of coordinating different actors. The model itself is the result of connecting people in the right context with the right capacities. These relationships were constructed upon trust and credibility of the actors involved. In this case Maureen Orth is a person with strong media and social credibility that connected with the Secretary of Education in Medellin. This relationship was possible because of the political dimension that favored the development of education projects in the city and as Luis Fernando points out it was a process of “trust and political will”.

The outcome on relation building was possible because of the access of the creators to decision power and resources. Maureen and Luis Fernando had access to companies at local and international level and even though the public sector is not directly giving resources to the foundation it’s letting the foundation implement the model. This feature is crucial on the decision-making feature of letting the organization “test” their model.

The accountability of the project in figures can involve various features. Regarding the learning environments the went from having 4 outdated computers to 284 XO computers for the primary students, 84 classmate computers and 55 regular windows computers for secondary education. Also this dotation of technology involved two digital classrooms and a community free Wi-Fi connection. From this
numerical outcome there are positive impacts in terms of giving tools to school and also connectivity to the community. Yet proving these tools doesn’t assure the usage of them and the improvements in education. Therefore a measurement of the intangible aspects of the project must be underlined.

Since the project started in 2005 to 2011 there have been 105 graduates. Luz Elena Rada de Cock, member of the board of directors of the foundation, says: “50% of the graduates are going to university” (El Colombiano, 2010). Even though, this figure is still low it’s higher than the access to higher education of Medellin that is 33% (Secretaria de Educación, 2013). This underlines that the model is providing a link between the school and higher education institutions. They have supported 12 students with subsides for transport and payment of the tuition fee of the university. This result can be obtained not only because of the financial support but also because of the skills of the students in the ICFES test that enables their entrance to public higher education institutions. If we take a look at school tests in a comparative approach between rural-urban and private-public we get the following figure.

**Figure 5: English results in ninth grade**

<table>
<thead>
<tr>
<th></th>
<th>Marina Orth</th>
<th>Oficial</th>
<th>Private</th>
<th>Urban</th>
<th>Rural</th>
</tr>
</thead>
<tbody>
<tr>
<td>Insufficient</td>
<td>5%</td>
<td>2%</td>
<td>21%</td>
<td>6%</td>
<td>6%</td>
</tr>
<tr>
<td>Minimum</td>
<td>37%</td>
<td>38%</td>
<td>53%</td>
<td>40%</td>
<td>38%</td>
</tr>
<tr>
<td>Satisfactory</td>
<td>48%</td>
<td>46%</td>
<td>21%</td>
<td>41%</td>
<td>44%</td>
</tr>
<tr>
<td>Advanced</td>
<td>11%</td>
<td>15%</td>
<td>5%</td>
<td>13%</td>
<td>14%</td>
</tr>
</tbody>
</table>

Source: ICFES – Pruebas del Saber. 2011

This figures underlines that the Marina Orth Foundation has a better score in percentage than rural institutions and also scores slightly higher than urban official institutions in terms of the test results in language. There are fewer students having insufficient results in the national exams. This graph also underlines the gap that still persists between private institutions. Nevertheless the results of the school are located between the official and non-official institutions that underline an
improvement. To grasp a more comparable approach on the results the following graph compares the Marina Orth School to Medellin and Colombia.

**Figure 6: English results in ninth grade**

<table>
<thead>
<tr>
<th></th>
<th>Marina Orth</th>
<th>Medellín</th>
<th>Colombia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Insufficient</td>
<td>10%</td>
<td>13%</td>
<td>12%</td>
</tr>
<tr>
<td>Minimum</td>
<td>21%</td>
<td>31%</td>
<td>29%</td>
</tr>
<tr>
<td>Satisfactory</td>
<td>59%</td>
<td>41%</td>
<td>42%</td>
</tr>
<tr>
<td>Advanced</td>
<td>10%</td>
<td>10%</td>
<td>16%</td>
</tr>
</tbody>
</table>

Source: ICFES – Pruebas del Saber. 2011

Again, the figure illustrates that the Marina Orth School is having less students with insufficient scores in the exam compared to Medellin and Colombia but there is still a challenge to increase the percentage of students with satisfactory and advanced scores. This graph analysis with the city and the country is involving the private and public schools, consequently there is a complexity in terms of comparing because of the gap between this institutions is mixed.

Nevertheless these figures are only underlying one feature of the model that is English there are clear improvements compared to other public schools. To grasp a complete analysis of the model there must be a design of accountability mechanism for the leadership and informatics dimensions. These features of the model are more complex to account but in the following section of the scaling-up process there will be an illustration of how this features are impacting the capacities and future of the students from the Marina Orth School.

This section underlines the importance of contextualization of a collaborative effort to create a social innovation and how through a process of uniting actors, resources in 2008 they were able to consolidate a model. This school became a reference for OLPC in Colombia and the world as one of the “most successful” cases. They received visits from Japan, France, and education secretaries from different cities and governments in Colombia. This diffusion and attention resulted attracted a series of actors interested in scaling their model through a process of networks and patterns.
SCALING-UP SOCIAL INNOVATION

In the contextualization of the Step-by-Step model there was process of collaborative efforts from different actors. Through this process the Marina Orth Foundation was able to set up a base to replicate and develop different forms of scalability. Social innovation models must have the capacity to “attract resources, time, power and attention” to scale-up (Mulgan, 2006, p. 34). These features are not only crucial in terms of scaling-up but also in the establishment of a social innovation model as previously discussed. Since the initial model in the Marina Orth Public School in Medellin this foundation attracted resources, diffusion channels and actors that build credibility of an idea. According to Luis Fernando, the diffusion channels were one of the key elements that facilitated the scalability of the model.

Before addressing the processes, structures and different models of scaled-up models Marina Orth Foundation went through it’s important to underline the different forms of scaling-up a social innovation. As previously discussed in the framework of this paper there are two main forms of scaling-up: direct or indirect. The direct scaling involves the planning, implementation, operation of administration of a school from the foundation and the indirect scaling models involve the transfer of the “know how” to a third actor. These different approaches on the scaling-up process social innovation result in distinctive responsibilities, accountability and implementation.

Scaling-up is not a process of replication but of adapting an idea to a local context with different actors. Thus the outcomes and accountability depend on the contextualization of an idea to the local necessities. In the following table there is the illustration of the different projects that the Marina Orth Foundation scaled-up and the different approaches.
### Table 3: Scaled-up Projects Marina Orth Foundation

<table>
<thead>
<tr>
<th>Location</th>
<th>Students</th>
<th>Computers OLCP</th>
<th>Schools</th>
<th>Model</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medellin - Altavista</td>
<td>370</td>
<td>467</td>
<td>1</td>
<td>Direct</td>
</tr>
<tr>
<td>Medellin - Golondrinas</td>
<td>620</td>
<td>650</td>
<td>1</td>
<td>Direct</td>
</tr>
<tr>
<td>Carmen of Viboral</td>
<td>114</td>
<td>170</td>
<td>1</td>
<td>Direct</td>
</tr>
<tr>
<td>Itagui</td>
<td>14,000</td>
<td>14,000</td>
<td>24</td>
<td>Indirect</td>
</tr>
<tr>
<td>Asocaña</td>
<td>2,120</td>
<td>2,120</td>
<td>5</td>
<td>Indirect</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>14,204</strong></td>
<td><strong>17,207</strong></td>
<td><strong>32</strong></td>
<td></td>
</tr>
</tbody>
</table>

Source: OLPC (FundaOrth Wiki, 2012).

This table underlines the different approaches of the model with the impact in terms of students and computers. The highest impact in terms of figures is present in the indirect projects. However we have to take a closer look of the processes of the different models to determine the accountability and outcomes. The following section of the paper underlines the different dimensions, actors, structures and arrangements that lead to the different scaled-up projects. It’s presented on chronological order of each model that went through a learning process.

**Direct Model - Carmen of Viboral, Antioquia - 2009**

Carmen of Viboral is a municipality with a population of 45 thousand inhabitants located at 54 kilometers from Medellin (DANE, 2005). It has 56% in its urban territory and 44% in the rural areas (Carmen of Viboral, 2008). From 2003 to 2006 the municipality went through a process of increasing the number of students from 9500 to nearly 11,000. Out of the 41 schools in the municipality 85% are public and 15% are private (MEN, 2013).

In 2008 the Marina Orth Foundation established an innovation model in education in Medellin that was diffused through media of communication and multiple actors from the public and private sector visited the school. According to Luis Fernando the large attention to the project was a sign that they where going in the right direction. Among the visits and the diffusion of the pilot model in Medellin Eugenia Londoño, member of the board of directors of the Marina Orth Foundation, arranged a meeting with the Governor of Antioquia to talk about the possibility of scaling-up this project to another school in the department. In this meeting with the Governor and the Secretary of Education they decided that they would replicate the model in the Carmen of Viboral.
This replication was framed under a project of the Secretary of Education that wanted to turn this municipality into the first international city of the department through Internet connection and bilingualism education.

This first scaled-up project was constructed with a different arrangement from the initial pilot in Medellin because the Government of Antioquia agreed to have a share commitment on the resources needed for the project. This involved a 50% and 50% funding from each part in the implementation and operation process of Step-by-Step model. Within this agreement the Marina Orth Foundation, the Department of Antioquia, the Municipality of Carmen de Viboral and the private company Auteco started the first scaled-up model in the Educational Institution Caminos de Paz. The following table underlines the different actors and responsibilities of this first scaled-up model.

Table 4: Actors involved in the Carmen de Viboral Project

<table>
<thead>
<tr>
<th>Sector</th>
<th>Actors</th>
<th>Responsibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private</td>
<td>Auteco - Procter &amp; Gamble</td>
<td>Funding of the implementation of the learning environments.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public</td>
<td>Department of Antioquia</td>
<td>Funding of the project implementation and operation for the period of the governor.</td>
</tr>
<tr>
<td></td>
<td>Municipality of Carmen de Viboral</td>
<td>Facilitate the implementation of the project in their territory.</td>
</tr>
<tr>
<td>Non-Profit</td>
<td>Marina Orth Foundation</td>
<td>Support in the implementation of the project.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Marina Orth Foundation (Portafolio, 2011)

The first scaled-up project of the Marina Orth Foundation underlines the capacity of the diffusion and networks connections to build credibility and trust. This was present in the change of roles from the public sector that allocated direct resources to the model through a private-public-partnership. Once again the connections and access to the public actors was crucial to connect ideas and capacities. Also, this first model was possible because of the political framework that wanted to implement similar
ideas in the municipality. This involved the language and technology component that the Marina Orth Foundation had developed. With a budget of 116 million dollars the Marina Orth Foundation, the Government of Antioquia and the private sector financed the project. It involved the donation of 170 OLPC and the pedagogical component of training 8 teachers with English and informatics skills (Asencreo, 2010).

Discussion and Impact

The project started in October of 2009 and still continues today. Even though the implementation process was within collaboration between public and private actors the political transition in power in the department changed the initial agreements. Due to the political transition in office of the Government of Antioquia since 2012 the Marina Orth Foundation has been left alone on the operation and maintenance of the project. This was caused because the former governor could only commit resources until the end of his term. Since the new government started the Foundation has been trying to establish a new agreement with the government to continue the project with a shared funding with no clear outcomes.

This scale-up project highlights how a shift of power can affect the governance and coordination of a project. There was a transformation of the responsibilities and accountability because the change of the actors in power. Thus the initial success collaborative model is now in risk of sustaining itself because of the complexity to continue arrangements among different governments.

In terms of learning environments there are several things to underline. In Antioquia in the past 10 years there has been policies that distributed 38,997 computers in urban and rural education centers in 117 municipalities. This distribution gives a figure of 14 students for every computer at a departmental compared to 17 students per computer each student at a national scale (MinEducación, 2010). Also in the department only 80% of the schools had connectivity (SEDUCA, 2012). With this regional data the Step-by-Step model is not only giving connectivity to the school but also providing one computer per child. This is tangible outcome in terms of learning environments.
Another tangible outcome of the improvement school was the award of 35,000 USD that the Department of Antioquia gave to this school because of their improvements in the quality of education. According to the Marina Orth Foundation it was a result of the technology, leadership and bilingualism programs. This first scaled-up model illustrates how in terms of governance of a collaborative scale-up model there is some challenges in the shift of power but in terms of accountability in figures the impact is still important.

**Direct - Golondrinas Foundation, Medellin - 2011**

The Golondrinas Foundation is an organization located in Medellin that promotes social inclusion through education. In 2010 this organization started a project to build a charter school in the Comuna 8, a district characterized by its displaced population, poverty and high violence rates. Like the urbanization process of the initial project in Medellin this district has experienced a growth of population mainly because of forced displacements from the countryside.

The project of the school created by the Golondrinas Foundation aims not only to improve the infrastructure but the education quality through new pedagogical tools (Golondrinas Foundation, 2012). The school model was based on a charter school (Murphy, 2002) were the school receives funding from the municipality to operate but is independent on the management and program of the school. The funds received depend on the number of students the institution receives (Red de Bibliotecas, 2012).

With the objective of improving the quality of education the Golondrinas Foundation found out about the Step-by-Step model through a German volunteer that was supporting the project. After a visit to the school in Altavista the Golondrinas Foundation did an agreement with the Marina Orth Foundation to replicate their model in their new school. This agreement involved a shared responsibility of the project.
This responsibility involved not only the implementation of the model learning environments but also the operation with the teachers and technology support team. This new scaled-up project was different from the first one in the Carmen of Viboral in two main aspects: it was implemented and coordinated between two non-profit organizations working on education and it didn’t involve a direct relation with the public sector. The public sector was involved indirectly though the funds that it gave to the Golondrinas Foundation to operate. This partnership enabled a shared risk and also accountability in the project. The Marina Orth Foundation was directly involved in the project but its risk and responsibilities was divided. The following table underlines the main actors and responsibilities of this second scaled-up project in Medellin.

**Table 5: Actors involved in the Golondrinas Project**

<table>
<thead>
<tr>
<th>Sector</th>
<th>Actors</th>
<th>Responsibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private</td>
<td>General Mills - Procter &amp; Gamble - HP - Provincia de Brecha (Italy)</td>
<td>Funds for the implementation. Donation of 650 OLPC computers.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public</td>
<td>Municipality – EPM</td>
<td>Indirect funding of the charter School. Funds for the construction of the school.</td>
</tr>
<tr>
<td>Non Profit</td>
<td>Golondrinas Foundation</td>
<td>Half of the implementation and operation costs of the model.</td>
</tr>
<tr>
<td></td>
<td>Marina Orth Foundation</td>
<td>Half of the implementation and operation costs. “Know how” transfer</td>
</tr>
</tbody>
</table>

Source: Marina Orth Foundation (El Colombiano, 2011)

Through the program Schools of High Quality this project had the resources to build the infrastructure. In this case the political and public dimension is acquainted as an indirect source of funding. It’s not directly involved with the model but has indirect impact on the outcomes like in the first project in Medellin. Also, the program has external features such as the Early Childhood Playgrounds build in the district by the municipality that provides early childhood nutrition and recreation.

**Discussion and impact**

This scaled-up model of Step-by-Step underlines different forms of collaboration between actors. In this case the scaled-up idea is a product of gathering capacities
and resources between two independent organizations. Gabriela Santos, director of
the Golondrinas Foundation, says that this school is the result of an “alliance without
egoisms” (El Colombiano, 2011). Contrary to the first scaled-up model the
sustainability of the project is not depending on the shift of power in the political
arena but the accountability between two non-profit organizations. Alejandro Urrego,
teacher of the Golondrinas School says that this “kids have never been exposed to
another language and today they understand the basic commands” (El Colombiano,
2011). In terms of learning environments the average for Medellín is 17 students per
computer and this school is having as the other models one computer per student
(MedellinDigital, 2009). Another outcome is the provision of 3 scholarships to learn
English in the Colombo Americano like the model in Altavista has.

By 2011 the Marina Orth Foundation had implemented its model in three schools:
two in Medellín and one in the Carmen of Viboral. This involved a shift from
operation to an administrative coordination of the different projects. There was a
learning process of the organizational capacities needed to scale-up their model.
During this learning process they identified a new way of scaling-up that didn’t
involve a direct operation but a knowledge transfer.

**Indirect Scaled-up Model - OLPC Support Center - 2012**

Following this direct experiences of scaling-up the model the Marina Orth Foundation
started to explore a new form of scaling-up gathering talents and capacities of the
schools they were managing. When the pilot project started in Altavista the students
of fifth grade had only the computers for 3 months. With the change of grade they
didn’t have the computers anymore because the program only was until fifth grade.
As a result this students started a group of monitors to continue using the computers
and to support the other students in the lower grades with technical problems.
Luis Fernando says that “we created a group of monitors in six grade were this
students could help other students to repair and maintain the computers”. With this
group of monitors the Step-by-Step model enabled students to become a support
group for the teachers in the learning process. It also facilitated a collaborative
education model not only between teachers and students but also between students
in the same school. The result of this component of leadership was the establishment of a group of students with technical capacities and leadership in the schools. This dimension of the model was also replicated in the schools in Carmen of Viboral and Medellin.

At this stage the Marina Orth Foundation decided they had to create a central office to administrate and support the three schools. In this new space they wanted to start a new project to support other schools and programs that were implementing OLPC in the country. Through Eugenia Londoño the Marina Orth Foundation presented this idea to the San Blas Corporation. They supported this new project and gave the Marina Orth Foundation an office for one year without costs to start the center of support. With the office the Marina Orth Foundation signed an agreement with the OLPC Foundation to create the first authorized support center for OLPC in Colombia. The OLPC foundation gave the Marina Orth 5,000 USD to start this center and with other initial resources they started to integrate all their activities in this office.

They invited the most advanced students and graduates of the group of monitors to an intense learning program of advanced technical and maintenance skills for computers. With this support center the Marina Orth Foundation was not only creating a new form of replicating its knowledge but creating working opportunities for its graduates. They did a pilot project with the Fan Foundation forming teachers with a small scale OLPC program in Medellín. This center became the agglomeration to train teachers, students and monitors from each of the models they had implemented in the department. Succeeding this first pilot project of support the Marina Orth Foundation proceed to a large project in Itagui.

**Itagui public schools program – Plan TESO - 2012**

Itagui is a city with 230 thousand inhabitants located in the metropolitan area of the Valley of Aburrá that includes Medellín and nine other municipalities (DANE, 2005). This city started in 2010 to develop the largest OLPC program in Colombia. The project aimed to integrate technology in all the public institutions with 14 thousand
OLPC computers and 526 interactive schoolrooms under the policy called “Plan TESO” (Itagui, 2011). The program was coordinated at the beginning by the OLCP Foundation team in Colombia. The agreement was a result of an initial “will” from Auteco – private company - that contacted the municipality with a commitment of donating 4 thousand computers. The only condition for this donation was that the program had to be implemented with OLPC.

The negotiation and first stages of implementation of the OLPC program was done in the last year of the Mayor in office and the project was scheduled to start at the beginning of 2012. In 2011 there were municipal and departmental elections and there was a political shift in Itagui. In the last months of the former Mayor term there were strong corruption accusations and he was suspended from office for the last three months of this term. Currently the former Mayor of Itagui Gabriel Jaime Cadavid has thirty processes of corruption and bad public management under investigation (WRadio, 2011). Under this complex political context a new Mayor arrived to the city. Facing lack of trust on the previous projects from the municipality the OLPC team in Colombia had to initiate a process to convince that this specific project was transparent and that it would have a positive impact in the community. This involved several meetings were they provided all the documents and agreements they made the previous authorities to show that the project was transparent. It was a process of building trust and credibility of the OLPC program with the new municipality says one of the OLPC team members that participated in this discussions.

During this transition and credibility process the municipality decided to make a bidding for the implementation of the project. In this bidding the EAFIT University was selected to operate and implement the Plan TESO with the OLPC system. This involved a shift in relationships from the initial project that was going to be implemented directly by the OLPC Foundation in Colombia. The creator of the project became a provider of the computers and EAFIT became the main actor. The initial arrangement involved a direct consulting from the OLPC to the municipality but due to the changes in power the OLPC had to advise EAFIT and then this university advised the municipality. There were complex discussions on the accountability of
the project and the actions of the actors due to the shifts of the initial agreement. There was a strong presence of “egos” of each of the organizations with a shift from implementing a model to an advise of a project. This was not a “collaborative” model in terms of building a relationship and trust among the different stakeholders. The Municipality and EAFIT University were managing the project that was initiated by the OLPC Colombia team.

Due to the change of the actor’s responsibilities in the project EAFIT contacted the Marina Orth Foundation because they were the reference of “success” in the country to help them implement the program of Itagui. The contracted the Marina Orth Foundation to support the technical and maintenance activation of the computers. The first contract involved the activation of 11,300 computers. It didn’t take into account the pedagogical dimension of their model; they were just supporting the project with their technical knowledge. Thus this process that shifted from direct implementation of a model to an advise and technical support is not scaling-up a social innovation model but the scaling-up of a technical capacity. The Marina Orth Foundation was a third party that supported the project but that wasn’t directly involved in it. Luis Fernando says “the model is very different from ours. It’s a technical service not a pedagogical assistance to use the OLPC to improve education”. The following table underlines the main actors and responsibilities of this project. There are direct and indirect actors involved.
Table 6: Direct Actors and responsibilities

<table>
<thead>
<tr>
<th>Sector</th>
<th>Actors</th>
<th>Responsibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private</td>
<td>Auteco</td>
<td>4,000 computers donation for the project</td>
</tr>
<tr>
<td></td>
<td>EAFIT University</td>
<td>Implementation &amp; operation of the project.</td>
</tr>
<tr>
<td>Public</td>
<td>Municipality of Itagui</td>
<td>Funding of the project learning environments and implementation.</td>
</tr>
</tbody>
</table>

Table 7: Indirect actors – Capacities and Equipment

<table>
<thead>
<tr>
<th>Sector</th>
<th>Actor</th>
<th>Responsibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non Profit</td>
<td>Marina Orth Foundation</td>
<td>Technical Support &amp; Maintenance Equipment</td>
</tr>
<tr>
<td></td>
<td>OLPC Foundation Colombia</td>
<td>Initial project Manager - Provider of Computers</td>
</tr>
</tbody>
</table>

Source: (El Tiempo, 2013)

Even though the project was not an exact replication of the Step-by-Step it involved a pedagogical dimension created by EAFIT that formed 101 directives and 1,559 teachers of the 24 public institutions (Eafit, 2012). The objective of this pedagogical training was to integrate the OLPC computers into the learning environments. Felipe Gil, Secretary of Education of Antioquia says, “We can’t only focus on the equipment’s or the connectivity. It’s very important to integrate this technologies with highly qualified teachers and contents that making the learning environments improve” (Eafit, 2012).

EAFIT created it’s own model of OLPC with the “know how” of the OLPC Foundation in terms of systems and the technical support of the Marina Orth Foundation. Also it introduced new forms of integrating the OLPC computer into the teaching curriculum with its musical department were they invited the student’s from these institutions to create music with the OLPC software (EAFIT, 2012). The implementation of the program also involved the emulation of experiences of other countries like Uruguay and Argentina. The teachers were invited to visit the Plan Ceibal, largest OLPC program in the world, in Uruguay.

This scheme is only involving the technical integration of a tool to a learning process and not the bilingual model of Step-by-Step. Also it doesn’t involve the group of
monitors of the Marina Orth Foundation that’s a key factor for the sustainability and intangible leadership outcomes. This issue resulted on impact, accountability and implementation differences.

Discussion and impact

This indirect scaled-up project underlines several limits of the political dimension of scaling-up social innovation. The project was created under the project of Itagui “Plan TESO” that wanted to improve education through technology. This plan began in the previous administration and was continued because of the efforts of OLPC Foundation Colombia to underline the transparency of the project. However this lack of “credibility” or change in power transformed the responsibilities of the actors. This transformed a collaborative model into a discussion of “egos” because the EAFIT University had no experience on managing the OLPC program and was managing the entire project. The actors that had the “know how” OLPC Foundation and Marina Orth Foundation were hired as a third party in the project.

There was also some tension regarding the education model implemented due to the difference between the new model and the Step-by-Step model. Therefore, from the Marina Orth Foundation this project is seen as a tool to sustain their own projects investing the resources of the consulting contracts. With this facet this scaled-up model is seen more as a sustainable mechanism than a scalability of their own model. This underlines the complex management of the shifts of power in the public sector. As in the case of the Carmen de Viboral with the new governor the new Mayor in Itagui transformed the initial relationships and there were credibility costs in terms of collaborative efforts.

However the project has tangible outcomes. Itagui became the first city in Colombia to have one computer per student in all the public institutions. This underlines important improvements in learning environments with the installment of connectivity and computers for every student in the municipality. As the project was officially implemented at the end of 2012 currently there are no tangible results in terms of the
exams in schools. Thus it’s complex to address this dimension of accountability to compare with the other scaled-up models.

Asocaña – Valle del Cauca – 2012

“A fundamental point to promote equity in our region is to reduce the digital divide”
One by One program in the Valles

At the same time the Marina Orth Foundation was contracted to support the project in Itagui there was another initiative starting in the department Valle del Cauca in the south of Colombia. In this department the Growers Association of Sugarcane in Colombia – Asocaña- started an education project called Uno para cada uno – “One by one”- to improve the quality and access to technology in education. This project began in Pradera and Guacarí that are municipalities with economical and social connections to the sugarcane production.

Pradera is a municipality with 52 thousand inhabitants with 82% of the population living in the urban area (Pradera, 2012). Around 92% of the students go to public schools. Guacarí is also a small municipality with 32 thousand inhabitants and 5 public institutions. The One by One program in these municipalities focused on the first five years of primary education. The objective was to strengthen the pedagogical model of public institutions through technology and new education environments. Nelsy Bonilla, Social coordinator of Asocaña says that through this project they “wanted to create new learning environments and more give more analytical tools to the students” (Asocaña, 2012). With a partnership with the Municipalities, the Departmental and the Ingenios –sugarcane producers- they started the project of 2,120 computers in the Municipality of Pradera and Guacarí (Contexto Ganadero, 2013). To implement this project the Marina Orth Foundation was contacted through the OLPC foundation as a key partner for its success.

They presented a proposal that included not only the technical support for the computers but the training of the teachers, directors and the pedagogical team. In this sense this model was different from the one of Itagui because it involved a direct
replication of their model with the pedagogical dimension. Even though they were not directly involved in the implementation or operation they were training the people to replicate their pedagogical knowledge to the project. Luis Fernando said: “Asocaña wanted to learn our model”. This also involved the community dimension that integrated the parents into the learning process with the commitment from the parents to take of the computers. Furthermore this scaled-up model involved the group of monitors and the bilingual dimension. The following table illustrates the actors involved and their responsibilities.

Table 8: Actors and Responsibilities

<table>
<thead>
<tr>
<th>Sector</th>
<th>Actors</th>
<th>Responsibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public</td>
<td>Municipality of Guacari &amp; Pradera</td>
<td>Facilitate the project in their territory.</td>
</tr>
<tr>
<td></td>
<td>Department of Valle</td>
<td>Funding and coordination with local actors.</td>
</tr>
<tr>
<td>Non Profit</td>
<td>Asocaña</td>
<td>Coordination, funding and management of the project.</td>
</tr>
<tr>
<td></td>
<td>OLPC Foundation</td>
<td>Provider of computers. Recommended the Marina Orth Foundation for the model.</td>
</tr>
<tr>
<td></td>
<td>Marina Orth Foundation</td>
<td>Replication of the “know how” of their model training teachers, community, directors and students.</td>
</tr>
<tr>
<td>Private</td>
<td>Ingenios</td>
<td>Funding the project. Computers, advise and implementation</td>
</tr>
</tbody>
</table>

Source: Author elaboration with interviews to the Marina Orth Foundation

This table illustrates a multiple collaboration program that was framed under the One by One program coordinated by the Government of the Valle de Cauca and Asocaña. As the case of Carmen de Viboral this program had private and public actors financing the project. The Marina Orth Foundation replicated its model indirectly through a training program and has control over the pedagogical impact that includes technology, English and leadership.

These two projects in Pradera and Guacari are the beginning of a regional policy to implement this program in all the municipalities of the department. Nelson Rafael Vargas, Secretary of Education of the Department, says that it’s “vital that the 42 mayors support this project that we are making with the help of the private sector”
Through the law of royalties the Department of the Valle is planning to replicate this model with the help of the Marina Orth Foundation to 35 more municipalities.

**DISCUSSING THE GAPS AND LIMITS OF SCALING-UP**

This paper underlines how solving complex problems such as education requires a collective action that involves public, private and social actors. Through this collaborative action the Marina Orth Foundation social innovation model gathered capacities, knowledge and resources to create and scale-up an idea. However the role of the public sector in terms of governing this project can result in different outcomes in terms of accountability and processes.

The social innovation model Step-by-Step is not the result of a “best practice” being implemented; it’s a mix approach of local and international ideas adapting to the local necessities (Dobbin et al, 2007). The OLPC program and the Marina Orth model started at the same time with different approaches but with the same objective to improve quality of education and reduce the digital divide in developing countries. The Step-by-Step model focused on the pedagogical and integral dimension of education and the OLPC initiative concentrated on the development of an instrument—computer—to improve education.

Therefore the scalability of the Marina Orth Foundation is routed upon international adapted instruments to the local context and the creation of a pedagogical capacity. Because of the international diffusion of OLPC governments knew about the systems and the Marina Orth Foundation was able to demonstrate how the program could be adapted to the local context with their first project in Medellin.

This transformed ideas into action within a collaborative framework that enabled a direct or indirect scaling-up process. The model scaled depended on the different arrangements built with the different stakeholders. Therefore the capacity to scale-up is not routed on a replication of the same model but in the adaptation of the model to the context and the actors. This approach underlines several gaps in terms of
governing and accountability of social innovation. Can the same model scaled-up account for the same dimensions and results of the initial social innovation? This research emphasizes how each project that is scaled-up is producing different outcomes in terms of accountability of the actors.

The initial responsibilities, accountability and the governance structure are challenge by the continuity of policies and political “will” in the city or department were the projects are being executed. There must be a “common agenda, if authentic, creates intentionality and enables all participating organizations to “see” solutions and resources through similar eyes” (Kania & Kramer, 2013). The common agenda is not only crucial in the initial stages of a model but during the shift of political power that can transform accountability. This is clear in the case of the Carmen de Viboral were the shift of the people in power transformed the collaborative model. This model changed from a shared implementation cost and operation to a unilateral funding when the government changed. So it’s not enough to have a model implemented there must be common efforts that sustain projects with different actors in power.

This aspect involves building relationships and trust when governments change. Not having this feature into the scalability of the projects had a high cost for the Marina Orth Foundation that is maintain the project by its own resources and also in terms of impact because the project is threaten by the entity that governs the school. Without the political “will” and agreement their model can’t continue in the Carmen of Viboral. This dependence on the public actor to operate is challenging the capacity to maintain this scaled-up model. Thus the governance of the scaling-up of social innovation is not only a process of implementation but also a process of building trust and accountability throughout political changes.

The other scaled-up case that underlines this challenge of scaling-up and continuity of policies is the largest OLPC program in Colombia in Itagui were the Marina Orth Foundation participated as an indirect actor. In this case the corruption and lack of transparency from the previous municipality transformed the responsibilities of the initial arrangement. During this change of stakeholders in power the Marina Orth Foundation was only able to scale-up a dimension of their model that involved the
technical “know how”. This program highlights a weak link in terms of scalability with the public sector because the outcomes and continuity depend on politics rather than policies So scaling-up must not only be about the capacity to implement a project but the capacity to maintain this credibility through time.

Contrary to the public collaboration scaled-up models of the Marina Orth Foundation are the cases of the Golondrinas Foundation and Asocaña. In both of these cases the sustainability of the model is not dependent on the political shifts but in their relation with the two private organizations. The result is a sustainable implementation of their social innovation model and also an agreement with clear responsibilities and accountability on the actors involved throughout time. In the Golondrinas Foundation the school is supported by the public sector as a charter school but the scalability of the model is done by two non-profit organizations. Thus the risk and management at long term on this project is more viable because it doesn’t involve the shift in political periods. In the case of Asocaña the model is also constructed with two private, independent non-profit institutions, with the involvement of the public sector as a third party. In this model the Marina Orth Foundation is not directly accountable for the results but has the capacity to “impose” or dictate their model because they were contracted to replicate their exact model in their schools. The results contrary to the project in Carmen de Viboral and Itagui at the long run is that this agreements gives the Marina Orth Foundation more capacity to govern the outcomes of the projects.

Thus this paradox between the public collaborative model and the private collaborative model opens a new discussion in terms of the capacity to scale-up social innovation. On one side the public collaborative model has the capacity and resources to impact more students but due to the political changes the continuity of an ideas it’s in risk of continuity. In the independent collaborative models were the public sector is not involved the impact and outcomes of the project can be accounted for because of their capacity to act and control their ideas. A central point to stress for further research is how can the scaled-up project with direct relationship with the public sector be sustained and accountable at the long run? A plausible answer for this could be offered by the recent publication of the Schwab Foundation
were they underline that is not only important to scale-up innovations with the public sector but to create institutional capacities to coordinate actions.

“Social enterprise crosses many sectors, industries and bureaucracies; a crucial role government can play is breaking down the existing silos that prevent growth and promoting the generation and sharing of ideas. Engagement can take various forms, from catalytic gatherings to longer-term initiatives, but a unifying component to any policy is the development of structures that allow communication and coordinated action between investors, entrepreneurs, civil society and policy-makers” (2013, p. 8)

Therefore the problem is not only the process of governing the process scaling-up of social innovation with the public sector but of creating institutions to coordinate and sustain this models that scale-up. The creation of the first pilot project by the Marina Orth Foundation was a result of political trust, context and network among different actors. Luis Fernando mentions that the first agreement was a “contrato de buena fé” – “good will contract” and not a formal agreement. Nevertheless, they have been able to maintain the pilot project during the transition of two political terms in the city because there has been a continuity of the policies and also political actors in office. He mentions that during the learning process they forgot that in a few years there would be a new Secretary of Education in Medellin thus challenging the verbal-informal agreement they did before. This is a great challenge in terms of maintaining a model with the public sector.

There must be clear “rules of interaction that govern collective impact lead to changes in individual and organizational behavior that create an ongoing progression of alignment, discovery, learning, and emergence” (Kania & Kramer, 2013). In terms of processes and structures the four scaled-up models underline a crucial element that is the policy framework that promote technology in the education and also the “will” from public and private. Without this political and private “will” the scaling-up of the project couldn’t be possible. The public sector must enable or facilitate the adaptation of the Step-by-Step in a public school because they are the entity that governs the public school. This doesn’t mean they have to directly give resources to the project but they have the “power” to remove their model if they want to.
Another important feature to underline in terms of governing social innovation are the actors that give the resources for the project. The commitment of the private sector to support these projects is crucial for their creation and scalability. Having a strong funding from the private sector can give the social organizations more leverage to implement and govern the model. This is the case of Asocaña and Golondrinas were they have this capacity because they are the ones accountable for the resources. In the case of Itagui the main funding actor is the city and that’s why it had the leverage or facility to transform the initial agreements. Thus governance of social innovation must not only consider the commitment of the actors that give resources to the project.

Scaling-up is limited to the projects with access and connections to these actors. This underlines another challenge that is access to stakeholders that have the capacities to scale-up. How can governments create spaces or institutions to identify social innovations? Governance under this framework is not a process of one actor but a collaborative effort to identify and social innovations. If this doesn't happen social innovations capacity to scale up will be limited to the organizations with contacts to the public sector. This new spaces could enable better mechanism to maintain projects and also built transparency on what projects are scaled-up depending on the impact they produce and not the network capacities they have.

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The Value of Symbolic Capital in the Context of Social Entrepreneurship.

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ABSTRACT

Understanding the context of entrepreneurship in general, and of social entrepreneurship specifically, is critical. It is especially relevant to socially innovative solutions that emerge during extraordinary times. Exploring the context-capital nexus is also germane in terms of the enacting and resourcing of social entrepreneurship – and in solidifying understanding as to how such solutions can be sustained, and ultimately scaled up. This paper is built on the conceptual architecture of Bourdieu’s capitals framework. It examines the role of symbolic capital – including its accrual and deployment – in the context of a New Zealand case study: Sam Johnson and the Student Volunteer Army.
Community Enterprise and Change

Community and Social Enterprises as Innovators: Lessons from the Housing and Energy Businesses of Trust House, Masterton.

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ABSTRACT

The Rotary Club of Wellington, the oldest among more than 300 Rotary clubs in New Zealand, will mark its centennial in 2021. This session will provide an overview of a Victoria University summer research project which will use the theme of 'social enterprise' to analyse historical and current contributions of this club, the largest in New Zealand, with 160-members. Rotary was founded in Chicago in 1905 and by the time Wellington was founded (with Auckland a week later), there were more than 1000 clubs. Now there are 30,000 clubs and 1.2 million members, though this membership has remained at that level for more than ten years. During its founding period, Rotary can be seen as an industrial era equivalent of the Linkedin network, but with a wider mission of fostering 'service above self' through community focused projects. The Rotary Club of Wellington has helped found and support many non-profit initiatives, including CCS, the Plunket Society, Skylight Trust, Zealandia and currently the science oratory competition 'Eureka'. While the term social enterprise has come into prominence during the past ten years as governments seek innovative ways to deliver community services, Rotary has effectively been a social enterprise from its founding era, as clubs led by businessmen sought to apply business techniques to tackling social issues. A challenge for Rotary internationally is to renew its membership by showing relevance to younger people who have grown up with the internet and social media networks. This session aims to spark a discussion about ways in which a well-established social enterprise can review its processes and remain relevant.
Entrepreneurship and Sustainability: Now and Beyond.

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ABSTRACT

This paper identifies entrepreneurial mindsets and approaches that are seen to support sustainability-as-flourishing, a concept that is to the fore in recent thinking about sustainability, and promulgated by leading scholars in the burgeoning field of business and sustainability. It does so through a focused review of social, sustainable, and environmental entrepreneurship literature, with the primary point of focus being requisites for sustainability-as-flourishing. Issues arising in current theorising and representations of practical enactment are identified, such as notions like the growth paradigm. Entrepreneurial mindsets that support complex systems-thinking and awareness of planetary boundaries are shown to be under-researched; so too are organisational approaches involving a more reflective and spiritual orientation. Further theoretical and empirical exploration of these and other areas is considered fruitful to elucidate pathways to the needed radical change towards sustainability. Researchers are advised to direct their attention to fundamental cognitive and behavioural dimensions of entrepreneurship, that is to develop studies that address both entrepreneurial mindset and organisational approaches.

KEYWORDS

Social/Environmental/Sustainable Entrepreneurship, Sustainability, Transformational Change

INTRODUCTION

The world is facing severe global sustainability challenges, encompassing environmental degradation, social inequalities, and economic instability. The seriousness of these challenges suggests much more than incremental progress is needed to maintain vital levels of natural and social capital. Radical changes in social, economic (including the corporate arena), and political systems are advocated to achieve sustainability (Alvord, Brown, & Letts, 2004; Hall, Daneke, & Lenox, 2010).

One vehicle for more radical change is entrepreneurship (Driver & Porter, 2012). Over two decades, entrepreneurship has been increasingly seen as a means to
address social and environmental issues (Alvord et al., 2004) in new and different ways as it is considered to have the capability to create change. As a consequence, there has been greater academic interest in social entrepreneurship as well as in environmental, ecological and sustainable entrepreneurship (Hall et al., 2010; Isaak, 2002; Lenox & York, 2012). Extant research has explored entrepreneurs’ individual characteristics (Dees, 1998; Koe Hwee Nga & Shamuganathan, 2010; Martin & Osberg, 2007) and drivers to found and engage in a social and/or environmental enterprise, such as their personal values (Gagnon, 2012; Kirkwood & Walton, 2010), the economic incentives that motivate them (Dean & McMullen, 2007), and the supporting institutional context (Meek, Pacheco, & York, 2010; Sud, VanSandt, & Baugous, 2009). The different organisational approaches, e.g. organisation design, (Alvord et al., 2004; Parrish, 2010) and processes/resources (Corner & Ho, 2010; Di Domenico, Haugh, & Tracey, 2010) adopted by enterprises with a social and/or environmental mission have also been studied.

However, there has been little systematic exploration in general of how these forms of entrepreneurship could work to produce the fundamental changes needed to achieve sustainability, defined in this paper as “the possibility that humans and other life will flourish on the Earth forever” (Ehrenfeld, 2008, p. 6). The concept of sustainability-as-flourishing essentially builds on the notion that “all natural systems have limits, and that human well-being requires living within those limits” (Hall et al., 2010, p. 440). Even the review papers in this area remain uncritical as regards how both scholarship and practice can generate new insight into entrepreneurship as a vehicle for radical change towards sustainability.

This paper addresses the following three research questions. (1) What entrepreneurial mindsets and approaches are seen to support sustainability-as-flourishing? (2) What issues/problems arise in current theorising and representations of practical enactment? And (3) what are beneficial research avenues for entrepreneurship with a social and/or environmental mission that would enable researchers and practitioners to support sustainability-as-flourishing? To answer these three questions, a focused literature review on social, sustainable, and environmental entrepreneurship was conducted, with the primary point of focus
being the requisites for sustainability-as-flourishing as identified in a survey of recent sustainability thinking, in particular from two notable business academics with a longstanding interest in this arena, John Ehrenfeld and Andrew Hoffman.

The paper offers a new perspective on social, sustainable, and environmental entrepreneurship and research in these domains, focusing on the requisites for sustainability-as-flourishing. It reveals which entrepreneurial mindsets and organisational approaches are under-researched and why research on them would be beneficial. The paper contributes a critical account of the current theorising and representations of practical enactment of entrepreneurship with a social and/or environmental mission and points to where researchers interested in promoting radical change might best direct their attention.

The paper is structured as follows. First, the above-mentioned requisites for sustainability-as-flourishing are identified. Second, the method for the focused literature review is presented. Third, the entrepreneurial mindsets and approaches regarded as conducive for sustainability are presented, before the issues/problems arising in our theorising and in practical enactment are explained. Lastly, fruitful future research avenues are offered.

DEVELOPMENT OF THE SUSTAINABILITY SCREENING CRITERIA

This paper focuses on reviewing social, sustainable and environmental entrepreneurship articles and book chapters that contribute to our understanding of sustainability-as-flourishing. For the selection of the most important articles, screening criteria are developed based on the latest sustainability thinking wherein Ehrenfeld and Hoffman (2013, p. 4), redirect the focus towards the “behavioural, cultural and institutional underpinnings” of sustainability. Background to this thinking is outlined below.

Despite the long known need for radical change in business practices, most extant research in the field of business and sustainability has focused on the business case. Accounts characterising corporations striving for sustainability reveal that business organisations usually embrace the contested concept of sustainable development which centres on economic growth “as the operative concept”
(Ehrenfeld, 2005, p. 23) and assumes that humans think and behave as homo economicus — self-interested, rational, and utility-maximising (Gladwin, Kennelly, & Krause, 1995). However, sustainability is found to be deeply in dispute with the growth paradigm (Balakrishnan, Duvall, & Primeaux, 2003). Therefore, resulting approaches, such as corporate social responsibility and an increase in efficiency, only lead to incremental change, and are not conducive to the widespread achievement of a thriving future.

In order to promote sustainability-as-flourishing, we need a radical change in our culture, including our values and beliefs (Ehrenfeld & Hoffman, 2013). Most importantly, according to Ehrenfeld (2012, p. 615) we need to embrace two basic beliefs underlying sustainability: the ontology of human being is “based on care, not need”, and the model for understanding large living systems is based on complexity. That means we need to shift our mindsets towards (1) care/empathy/compassion to intrinsically motivate people to create a socially just and desirable space for humanity (Raworth, 2013).

And we need to engage in (2) complex systems thinking to move beyond our limiting reductionist, mechanistic view of the complex Earth system and adopt a holistic worldview of embeddedness and interconnectedness (Ehrenfeld, 2012; Roome, 2012; Welford, 1998). We need to acknowledge that “our material economy is embedded in society, which is embedded in our ecological life-support system” (Costanza et al., 2013, p. 128). Thus we need to acknowledge the concept of interconnectedness and embeddedness of business in-society-in-nature.

In addition to the shift in mindset, we need to embrace organisational approaches that support sustainability. We need to realise that humanity is currently exceeding crucial biophysical thresholds (Engelman, 2013) and act accordingly. Out of nine interlinked planetary boundaries, three have already been crossed: climate change,

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21 According to Ehrenfeld who cites Erich Fromm, we need a shift from ‘Having to Being’. In line with this shift is a “change in our focus from attending to our Needs to one of attending to our Cares” (Ehrenfeld & Hoffman, 2013, p. 7). Needs are regarded as non-authentic for human beings.
rate of biodiversity loss, and human interference with the nitrogen cycle (Folke, 2013; Rockström, 2009). To create an environmentally sustainable and thriving space on Earth, we need to (3) respect the planetary boundaries of our ecological life-support system and integrate them into our decision making (Rockström, 2009).

To gain momentum for a radical change towards sustainability-as-flourishing we need to deliberately embrace a (4) transformational approach and shift both the culture inside and outside of the enterprise by addressing underlying root causes, rather than symptoms.

A worldview of connectedness would enable a change of our cultural models in line with sustainability-as-flourishing. (5) Participative/collaborative approaches and the co-creation of a desired future are seen to enhance sustainability (Ehrenfeld & Hoffman, 2013; Khozein, Karlberg, & Freeman, 2013; Laszlo et al., 2012).

Fully implementing complex global systems thinking requires knowledge obtained by holistic (including emotional) experiential understanding (Shrivastava, 2012), practice and pragmatism (Ehrenfeld & Hoffman, 2013, p. 102f). We therefore need to embrace more (6) holistic, pragmatic or experimental approaches.

Only through creating awareness of our connectedness to ourselves, other human beings and nature can we create the essential base for sustainability-as-flourishing (Ehrenfeld & Hoffman, 2013; Jackson, 2011; Laszlo et al., 2012; Scharmer, 2009). The forces of our modern cultures separate us from our fundamentally loving ‘Being’ (Ehrenfeld & Hoffman, 2013, p. 88). Several authors acknowledge (7) reflective (e.g. spiritual) practices as a way of enhancing our understanding of global systems, of deepening our connectedness to self, other humans and nature, and of bringing our awareness back to our caring and loving nature (Ehrenfeld & Hoffman, 2013; Laszlo et al., 2012; Scharmer, 2009; Scharmer & Kaeufer, 2013; Shrivastava, 2012). Thus, the spiritual dimension is deemed essential for sustainability (Laszlo et al., 2012).

Lastly in this set of identified requisites, sustainable development and economic growth is considered to be in conflict with sustainability (Balakrishnan et al., 2003).
However, extant research in sustainable and environmental entrepreneurship and EnvE as reviewed by Lenox and York (2012), Hall et al. (2010), and Thompson et al. (2011), has—to a considerable extent—focused on economics and is still based on the conventional economic growth paradigm. Therefore, this paper shifts the focus to articles that have \textit{NO strong neoclassical economic theory perspective and do NOT build solely on economic growth}. It is acknowledged that this approach may appear quite bold (and even as unwarranted) by some who pin their hopes on incremental change as the pathway to sustainability. It is intended to align with the radical change perspective introduced at the outset of this paper and to shed light on both the potential and the challenges inherent in forms of entrepreneurship that run counter to more traditional commercially oriented entrepreneurial enactments.

\section*{RESEARCH METHOD}

This paper focuses on entrepreneurship with a primarily social and/or environmental mission (rather than solely an economic mission) that strives to solve social and environmental problems, and to promote radical change through innovative activities (see also Mair & Martí, 2006; Martin & Osberg, 2007; Zahra, Gedajlovic, Neubaum, & Shulman, 2009). However, it is accepted that rarely will motivations or missions be purely one or the other. Given earlier extensive reviews (Dacin, Dacin, & Matear, 2010; Hall et al., 2010; Lenox & York, 2012; Short, Moss, & Lumpkin, 2009), this paper does not elaborate on the definitional issues surrounding social/sustainable/environmental entrepreneurship (SocE/SustE/EnvE). Since these entrepreneurial research streams are regarded as similar, no distinction between these domains is made (Thompson, Kiefer, & York, 2011) in line with earlier arguments made by the author (Herdering, 2013a). Instead, the contributions any of these domains offered were taken into account.

The literature review focuses thus on social, sustainable, and environmental entrepreneurship both explicitly and implicitly associated with sustainability. In order to present a comprehensive and coherent overview of previous research on these entrepreneurship research streams, the search was not limited to particular management or entrepreneurship journals. Book chapters were also included. No date restrictions were imposed.
A best practice for carrying out a systematic and extensive literature review was adopted, generally following the approach of Ucbasaran, Shepherd, Lockett, and Lyon (2013). The most recent searches referred to in this paper were carried out in September 2013, after earlier more preliminary investigations into the possible literature base.

First, the academic database ABI Inform (ProQuest) was used to search for peer-reviewed articles in scholarly journals in the titles, keywords and abstracts. The search terms and results were as follows:
- "social enterprise**" OR "social entrepreneur**" (596 results)
- "sustainab* entrepreneur**" OR "sustainab* enterprise**" OR "sustainabil- driven entrepreneur**" (77 results)
- ecopreneur* OR "environmental entrepreneur**" or "ecological entrepreneur**" or "environmental enterprise**" or "ecological enterprise**" or "green ent*15" (30 results)

Second, a scan of the retrieved articles revealed that the search had not yielded some articles from highly relevant journals such as *Entrepreneurship: Theory & Practice* and *Greener Management International*. Therefore, in order to retrieve articles from these journals, additional searches were conducted from Business Search Premier (EBSCO) in the title, keywords, and abstracts for:

*Entrepreneurship: Theory & Practice*
- "social enterprise**" OR "social entrepreneur**" (20 results); and
- "sustainab* entrepreneur**" OR "sustainab* enterprise**" OR "sustainabil- driven entrepreneur**" (0 results)
- ecopreneur* OR "environmental entrepreneur**" or "ecological entrepreneur**" or "environmental enterprise**" or "ecological enterprise**" or "green ent*15" (0 results)

*Greener Management International*
- "social enterprise**" OR "social entrepreneur**" (1 result)
Third, a scan through all issues of the *Journal of Social Entrepreneurship* since launched in 2010 yielded another 40 potentially relevant articles.

In total, 779 articles - including some duplicates - were retrieved (596+77+30+20+1+7+8+40).

Fourth, the set of potential articles was narrowed down. To this end screening criteria were developed for determining which articles to consider in the review. Articles were screened out if

1) the article was not scholarly, e.g. book reviews, anonymous articles, no theoretical discussion or citation;
2) the language of the article was not English;
3) the search terms were not dealt with in relevant ways, e.g. the term “sustainable” used to connote financially viability over time;
4) the results of the research were not applicable to for-profit enterprises, e.g. not-for profit and nongovernmental organisations becoming entrepreneurial, or public/governmental organisations dealing with policy making or public-private partnerships; or
5) the focus of the article was not on the search terms, e.g. with a focus on
   a. corporate social responsibility, corporate/commercial sustainability entrepreneurship
   b. education and pedagogy
   c. venture capital, social/environmental investments
   d. cooperatives
   e. institutional/immigrant/ethnic/civic/strategic/indigenous/emancipatory/woman entrepreneurship
   f. performance measurement of SocE, SustE, EnvE.
To narrow down the articles to those that contributed insight into sustainability-as-flourishing, additional screening criteria were developed (as described in the section above, and numbered 1 through 8). To be selected for the literature review, an article had to focus on at least one of the following topics to be included in the review:22

Mindset:
(1) care/empathy/compassion
(2) complex systems thinking/interconnectedness/embeddedness
(3) respect planetary boundaries and integrate in decision making

Organisational approaches:
(4) transformational approaches to bring about radical change
(5) participative/collaborative approaches
(6) holistic/pragmatic/experimental approaches
(7) reflective approaches

Research perspective:
(8) NO strong neoclassical economic theory perspective and NOT building solely on economic growth

At the end of this extensive screening, 28 articles remained to be included in the review.

A more in-depth examination of the selected articles surfaced five additional articles and three book chapters that were either frequently cited in the initially selected articles or very relevant to the research topic (for a similar approach, see Ucbasaran et al., 2013). In total, the review is based on 36 articles, including three book chapters.

To analyse the selected articles, close readings were conducted and information that appeared relevant to supporting sustainability-as-flourishing was highlighted in the article and transferred into a large table identifying and contrasting various elements. These included authors, year of publication, key words, research foci, key findings,

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22 These screening criteria are based on the author’s previous research (Herdering, 2013a) on the requirements for enterprises to contribute to sustainability.
research methodologies, theories applied, explicit links to sustainability, suggestions for future research, and an overall assessment of the level of relevance for this review. The qualitative data in the table was further analysed by identifying and highlighting key categories that related to sustainability-as-flourishing.

The next section of the paper presents the findings from the above analysis organised into two categories and several subcategories around (1) a cognitive dimension and (2) a behavioural dimension. In this paper, the term ‘mindset’ is used to represent the cognitive dimension. It is understood as a determined mental attitude or disposition that influences an individual's pattern of responses to, and interpretations of situations. ‘Organisational approaches’ represent the behavioural dimension and are understood as behaviour the enterprises adopt (e.g. organisational design or relationship of enterprises with their external environment). One subcategory in addition to those that were used for the screening was identified during the analysis of the reviewed literature (pragmatic/experimental approaches). The classification of articles within different categories might appear artificial since the mindsets and the organisational approaches and the related subcategories are somewhat interdependent and interconnected. This created overlap between the categories. The reviewed articles are presented under the category heading for which they appeared most representative and insightful. Due to the overlap, however, some articles appear in different categories.

FINDINGS AND DISCUSSION – MINDSETS AND APPROACHES SUPPORTING SUSTAINABILITY

Various individual mindsets and organisational approaches that could support radical change towards sustainability-as-flourishing were uncovered in the analysis of the 36 articles. Table 1 (see next two pages) offers an overview of the reviewed papers, their research methodology and the relevant (sub)categories.
**Table 1**: Overview of reviewed papers and their research methodology

<table>
<thead>
<tr>
<th>Authors</th>
<th>Year</th>
<th>Research methodology</th>
<th>Mindsets</th>
<th>Organisational approaches</th>
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<tbody>
<tr>
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<td></td>
<td></td>
<td>Care/empathy/compassion</td>
<td>Systems-thinking/interconnectedness</td>
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<tr>
<td>Arend</td>
<td>2013</td>
<td>conceptual</td>
<td>x</td>
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<tr>
<td>Corner &amp; Ho</td>
<td>2010</td>
<td>empirical, qualitative</td>
<td>x</td>
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<tr>
<td>Corner &amp; Kearins</td>
<td>2013</td>
<td>empirical, qualitative</td>
<td>x</td>
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<tr>
<td>Dees</td>
<td>1998</td>
<td>conceptual</td>
<td>x</td>
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<tr>
<td>Desa</td>
<td>2012</td>
<td>empirical, mixed methods (qualitative, quantitative)</td>
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<td>Forster &amp; Grichnik</td>
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<tr>
<td>Gagnon</td>
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<td>empirical, multi-method (qualitative, quantitative)</td>
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<td>conceptual</td>
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<tr>
<td>Grimes, McMullen, Vogus &amp; Miller</td>
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<td>conceptual</td>
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<td>Kirkwood &amp; Walton</td>
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<td>Koe Hwee Nga &amp; Shamuganathan</td>
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<tr>
<td>Li &amp; Lin</td>
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<td>conceptual</td>
<td>x</td>
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Table 1 (Continued): Overview of reviewed papers and their research methodology

<table>
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<th>Authors</th>
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<th>Research methodology</th>
<th>Mindsets</th>
<th>Organisational approaches</th>
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<td>Care/empathy/compassion</td>
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<td>Systems-thinking/interconnectedness</td>
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<td>Awareness of planetary boundaries</td>
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<td>Reconciliative re non-economic and economic</td>
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<td>values</td>
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<td>Collaborative/participative</td>
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<td>Transformational</td>
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<td>Pragmatic/experimental</td>
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<td>Reflective</td>
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<tr>
<td>Lough &amp; McBride</td>
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<td>empirical, qualitative</td>
<td>x</td>
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<tr>
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<td>conceptual</td>
<td>x</td>
<td>x</td>
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<tr>
<td>Martin &amp; Osberg</td>
<td>2007</td>
<td>conceptual</td>
<td>x</td>
<td>x x</td>
</tr>
<tr>
<td>Miller, Grimes, McMullen &amp; Vogus</td>
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<td>conceptual</td>
<td>x</td>
<td>x</td>
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<td>Patel &amp; Mehta</td>
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<td>conceptual</td>
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<tr>
<td>Patzelt &amp; Shepherd</td>
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<td>conceptual</td>
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<td>Pavlovich &amp; Corner</td>
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<td>Pearson &amp; Helms</td>
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<td>empirical, qualitative</td>
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<tr>
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<td>x</td>
<td>x x x x</td>
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<td>x</td>
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<td>x</td>
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<td>7</td>
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</tbody>
</table>
Mindsets

Care/empathy/compassion

In social entrepreneurship research, care, or compassion is found to supplement conventional self-oriented motivations (Miller, Grimes, McMullen, & Vogus, 2012). Social, sustainable, and environmental entrepreneurs have – to varying degrees – non-economic and altruistic motivations and pursue social and/or environmental purposes with their enterprises (Thompson et al., 2011). It could be argued that their entrepreneurial mindset is characterised by caring and their behaviour contributes to a flourishing future on Earth.

In two widely cited conceptual papers on SocE (Dees, 1998; Martin & Osberg, 2007), the social entrepreneur is characterised as being motivated by compassion and altruism, and the outlook to induce large-scale transformational change benefitting marginalised groups.

In a multi-method approach Gagnon (2012) examines the key values that drive sustainability-mined entrepreneurs. He finds the value of morality is strongly linked to sustainability attachment. Gagnon (2012, p. 19) concludes that "sustainability at its roots [appears to be] the reduction of pure self interest seeking".

Similarly, recent conceptual research of the antecedents of SocE by Miller et al. (2012) developed three mechanisms as to how compassion motivates an individual's choice to found a social enterprise. Miller et al. (2012, p. 620) propose that "compassion [...] acts as a prosocial motivator of cognitive and affective processes that are considered preconditions for undertaking SocE. The processes encompass (1) integrative thinking–including openness to complexity and expansion of creativity (p. 623), (2) prosocial cost-benefit analysis (p. 623), and (3) commitment to alleviating others' suffering – transforming compassion into SocE (p. 624). The combination of these compassion-induced cognitive and affective mechanisms favourable for SocE and the perceived legitimacy of SocE, promotes the decision to found a new social venture (Miller et al., 2012). In a critique of this research, Arend (2013) raises concerns, e.g. regarding compassion as the chosen explanatory
variable. He argues that compassion is a poorly distinguished concept, and overlaps strongly with broader concepts like empathy. Arend (2013) instead suggests studying the development of the social entrepreneur-opportunity nexus. In a response to the critique, Grimes, McMullen, Vogus, and Miller (2013) maintain that their research "lays the groundwork for considering how a specific emotion (compassion) intersects with sociocognitive processes (e.g. integrative thinking) to motivate SocE" (Grimes et al., 2013, p. 461).

Forster and Grichnik (2013) also study drivers of SocE. They conduct quantitative research among corporate volunteers to examine the individual and environmental “antecedents of social entrepreneurial intention formation” (p. 153). They find that empathy constitutes a significant antecedent of SocE “by affecting perceived desirability and subsequently, social entrepreneurial intent” (p. 171). Other important antecedents for social entrepreneurial intentions are found to be “perceived social norms, self-efficacy, perceived collective efficacy” (Forster & Grichnik, 2013, p. 153).

Similarly, Kuckertz and Wagner (2010) research entrepreneurial intentions. They find individuals who care for social and environmental sustainability issues also exhibit stronger entrepreneurial intentions, but "the positive impact of sustainability orientation vanishes with business experience" (Kuckertz & Wagner, 2010, p. 524). They propose “measures to nourish an evidently existing potential for sustainable entrepreneurship" (p. 524).

Opportunity discovery is explored by Patzelt and Shepherd (2011). They conceptualise at the individual level why people recognise opportunities. Their model proposes that prior knowledge of natural and communal environments, as well as altruistic and non-altruistic motivations influence the likelihood of an entrepreneur to discover sustainable development opportunities (Patzelt & Shepherd, 2011). These authors suggest that entrepreneurial knowledge is vital in moderating these effects. This last notion is in contrast to Pavlovich and Corner (2013) who find that entrepreneurial knowledge was not necessary for opportunity discovery. Instead the discovery was motivated by a strong desire to address the needs of the disadvantaged.
In an international qualitative study, Spence, Gherib, and Biwolé (2011) examine the fundamentals of SustE. The findings reveal that sustainability-minded entrepreneurs' individual values are vital in all examined cases across different countries. However, apart from entrepreneurial will, socio-cultural characteristics and institutional conditions can support or impede the implementation of sustainability-related practices in enterprises (Spence et al., 2011).

On a similar note, Koe Hwee Nga and Shamuganathan (2010, p. 259) maintain that "personality traits do influence entrepreneurship in general". They find that agreeableness (e.g. empathetic, promoting consensus/harmony,) and openness (affine towards novelty of new experiences, creative) positively influence SocE (social vision, environmental sustainability, social networks, innovation, and financial returns) (Koe Hwee Nga & Shamuganathan, 2010).

Regarding the nurturing of empathetic altruistic mindsets, Pavlovich and Corner (2013) find in a recent empirical in-depth case study of a single entrepreneur that regular spiritual practices enhance empathy and pro-social collective behaviour. They maintain that for social value creation to reach priority over economic value creation “a greater conscious awareness is necessary” (p. 9). An expanded consciousness seems to foster pro-social entrepreneurial intentions (Pavlovich & Corner, 2013). Also, conscious awareness shapes venture characteristics in accordance with “environmental and socially just principles” (Pavlovich & Corner, 2013, p. 7).

The portrait of a Christian faith-based organisation by Alderson (2012) offers further insight into the nurturing of a pro-social mindset. It shows how social projects and serving others might lead by example to develop the next generation of other-oriented empathetic people (Alderson, 2012).

In conclusion, to promote sustainability-as-flourishing, both researchers and practitioners need to embrace the notion, that at the core humans are loving beings, and much more than only self-centred individuals. There is extant research in entrepreneurship regarding cognitive dimensions, such as empathy or compassion,
providing a useful starting point for future more in-depth and sustained research. Past studies appear to have examined the mindset of care and empathy mostly in the early entrepreneurial stages of intention formation and opportunity recognition. It would be interesting to empirically examine the impact of an empathetic mindset in later stages of enterprise development.

Complex systems-thinking/interconnectedness/embeddedness

Shrivastava, Ivanaj, and Persson (2013, p. 230) investigate “more holistic ways of understanding and creating sustainable enterprises" for both scholars and practitioners. The authors propose that transdisciplinarity provides “a unique real-world problem-solving framework that crosses disciplinary boundaries and the academic-practitioner divide" (p. 230). By promoting transdisciplinarity that seeks to combine the otherwise separate disciplines, the authors highlight the interconnectedness of different disciplines. Also, transdisciplinary research enables dealing with complex issues due to its collaborative and joint approach that facilitates knowledge-sharing (Shrivastava et al., 2013). Transdisciplinarity considers humans in “a cosmic context" (Shrivastava et al., 2013, p. 237). The authors underscore the attempt that transdisciplinarity makes to reconcile natural sciences with spiritual experience, wisdom, and the role of intuition (Shrivastava et al., 2013, p. 237). They maintain that "enterprise sustainability requires trans-functional, trans-disciplinary, trans-stakeholder, trans-aesthetic and trans-human knowledge that is possible through transdisciplinarity" (p. 230).

Pavlovich and Corner maintain that (2013) awareness of interconnectedness between self, others and nature, enhanced by spiritual practices is necessary to develop pro-social intentions. Awareness of interconnectedness enables the entrepreneur to realise the connectedness to underprivileged others (Pavlovich & Corner, 2013). It also permits consideration of the impact of the entrepreneur’s action in a more holistic manner.
Miller et al. (2012, p. 623) draw on previous research by Grant and Berry (2011) and assume that there is a link between compassion, integrative thinking, enhanced cognitive flexibility and the openness to complexity.

Goldstein, Hazy, and Silberstang (2010) develop a conceptual complexity science-based model for social innovation. It seeks to understand the necessary conditions that facilitate the emergence of social innovation within social ventures. The authors model the emergence of social innovation as a nonlinear "evolving dynamical system" (p. 101). The presented model highlights that the emergence of novelty in complex systems depends on mechanisms that recombine elements in the system (Goldstein et al., 2010). It shows the benefits of overcoming informational differences via social networks to enable recombinatory operations, such as bricolage, because diversity encourages creative innovation. The paper also emphasises the necessity of collective action to resolve complex social problems. The authors suggest that in the model “the social system undergoes bifurcation” when it comes to "a critical threshold" (p. 101). The extant social components that were recombined then result in the creation of new and innovative “social forms” that are better suited to address a particular social issue (Goldstein et al., 2010, p. 101). The paper claims to offer a new research perspective that embraces complex systems-thinking which might better reflect the studied "real world social systems" than non-complex models (p. 119).

Gagnon (2012) finds that holistic cognition is one of the key values that drive sustainability-mined entrepreneurs. These entrepreneurs embrace the notion that “decisions and actions [need to be considered] as part of a deeply connected social and environmental context” (p. 14). There is evidence that sustainability-minded entrepreneurs tend to think in a “relational format and about distal cause and effect patterns” taking the wider impacts of their decisions into account (Gagnon, 2012, p. 14).

Mair and Martí (2006) conceptualise SocE “as a process that catalyzes social change and addresses important social needs in a way that is not dominated by direct financial benefits for the entrepreneurs” (p. 36). They emphasise that the
“socio-economic and cultural circumstances” impact on the form SocE adopts (Mair & Martí, 2006, p. 42). The authors highlight the “importance of the concept of embeddedness” for SocE research, for example in relation to changing institutions (Mair & Martí, 2006, p. 42). Relevant theories are structuration theory, institutional theory, social capital, and social movement theory. It appears that social embeddedness is better researched and understood compared to ecological embeddedness.

The reviewed articles introduce some valuable perspectives and offer some basis to build upon. However, it is argued that we need to develop complex systems-thinking and appreciate our interconnectedness and embeddedness within the ecological system even more. This can enable us to understand the impact of our activities on Earth.

**Heightened awareness of planetary boundaries**

Three articles do take up the notion of planetary boundaries in more depth and illuminate how enterprises can operate within the planetary boundaries of our ecological life-support system (Rockström, 2009). Parrish (2010) identifies perpetual reasoning as the key sense-making mindset for sustainability-focused entrepreneurs that guides their entrepreneurial decisions and extends into organisational practice (see discussion below in the section “Organisational approaches”).

Patel and Mehta (2011) highlight that successful social enterprises embrace the notion of planetary limits (e.g. recycle all materials) and that Earth is a dynamic complex system (e.g. use feedback loops) with interdependent relationships. Similarly, Gagon (2012) finds that frugality or preserving resources (among others) is a key value that drives sustainability-minded entrepreneurs. For these entrepreneurs “reusing, repurposing materials, delaying purchases to buy quality items” is important (p. 13). They also have a more holistic appreciation of the full (life-cycle-related) costs of items.
In a qualitative study on environmental entrepreneurship, Kirkwood and Walton (2010) find that ecopreneurs were more motivated by their green values than by financial gains. However, the fact that only “half of the ecopreneurs” are primarily motivated by their green values shows that even among environmentally-minded entrepreneurs, self-interest (e.g. earning a living, being their own boss) is still a strong motivator (Kirkwood & Walton, 2010, p. 215).

Overall, it appears that there is only little research into complex systems-thinking and notions of interconnectedness or embeddedness, indicating a need for further research in this arena.

Entrepreneurs with a social and/or environmental mission appear to have to varying degrees mindsets or values including compassion (Miller et al., 2012) or morality (reasoning beyond self-interest), frugality (preserving resources), and holistic cognition (complex systems thinking) (Gagnon, 2012) – even when they are not always successful in acting upon those values (Kirkwood & Walton, 2010). These values are regarded as being necessary for the creation of a flourishing future, albeit that enactment remains an important attribute, also.

Organisational approaches

Organisation design reconciling social/sustainability/environmental values with business requirements

In an intensive qualitative empirical study, Parrish (2010, p. 510) investigates the organisation design expertise required for entrepreneurs with sustainability values and motives to succeed in the market place. The evidence reveals that there are organising tensions in SustE that stem from values and motives "based on equanimity between self, other people, and nature" (p. 511). These tensions might challenge the viability in a competitive market context. Parrish reveals perpetual reasoning as the key sense-making mindset for sustainability-focused entrepreneurs that seek to resolve the organising tensions. Perpetual reasoning is a manifestation of values and beliefs that consider humans and nature “not only as a means of
generating wealth, but also as ends in their own right” that are “not to be ‘exploited’” (Parrish, 2010, p. 516). This mindset takes both the environmental limits of the planet and social needs into account and is “often exercised intuitively rather than in a calculated fashion” (Parrish, 2010, p. 516). The mindset of perpetual reasoning extends into organisational practice everyone in the organisation would ideally need to engage in. Parrish finds five design principles that are in accordance with perpetual reasoning: 1) resource perpetuation (improve and preserve quality of human and natural resources); 2) benefit stacking (accumulate as many benefits per operational activity as possible); 3) strategic satisficing (strategically determine satisfactory results to balance competing objectives); 4) qualitative management (use quality as design criteria); 5) worthy contribution (structure benefits to privilege worthy recipients) (p. 517). These design principles are found to differ considerably “from the conventional principles of [profit/opportunity-driven] entrepreneurship” indicating that the mindset and the reasoning needed for a prosperous enterprise depends on the “entrepreneurial values and motives” (Parrish, 2010, p. 510). The findings emphasise the general and unquestioned supposition in conventional entrepreneurship that the entrepreneurial motive is only a "desire for profit" is no longer valid (Parrish, 2010). The identified design principles seem to reflect a sense of interconnectedness between self, other humans and nature. They appear to be a useful approach to overcome tensions between sustainability motives (including planetary boundaries) with organisational requirements such as competition.

Similarly, Smith, Gonin, and Besharov (2013) systematically examine tensions between the social mission and business imperatives of social enterprises. The authors analyse the SocE literature by applying four theoretical lenses (institutional, organisational, stakeholder, and paradox theory) and identify four types of tensions: performing, organising, belonging, and learning tensions (p. 410). They highlight that social entrepreneurs have to engage in paradoxical tensions between the social and economic dimension. It is suggested that entrepreneurs need to engage in innovative ways to embrace complexities and contradictions (e.g. systems-thinking) to resolve these paradox tensions (Smith et al., 2013). Likewise, researchers need to explore these innovative ways to overcome tensions, too.
Patel and Mehta’s (2011) conceptual paper offers another approach to integrate environmental sustainability and organisational/product design principles. They embrace nature and its complex system as model for designs and processes and build on the biomimicry work of Janine Benyus. It explores the six Life Principles: 1) optimisation rather than maximisation; 2) leveraging interdependence (e.g. cooperative relationships); 3) benign manufacturing; 4) resilient infrastructure (e.g. diversity); 5) integration of cyclic processes (incl. feedback loops); and 6) locally attunement and responsiveness. It also shows how these principles can be applied in examples of SocE. The authors propose “that successful social enterprises employ Life’s Principles to tackle structural, management, product design, and supply chain issues in their conceptualization, development, and scale-up stages” (Patel & Mehta, 2011, p. 218).

Pearson and Helms (2013) characterise an Indigenous social enterprise aiming at reducing poverty and improving the socio-economic environment of an aboriginal community (Pearson & Helms, 2013, p. 43). The authors emphasise the vital importance of considering extant social structures and “cultural heritage”, as well as "operating at the local level" to create both social and economic value within the aboriginal community (Pearson & Helms, 2013, p. 43). The paper also highlights how the conventional “government promoted Western principles of a market economy” were not adequate to integrate the Indigenous values of simultaneously achieving “social economic and ecological benefits” (Pearson & Helms, 2013, p. 61). The Indigenous social enterprise is “based on wildlife harvesting” and “living on traditional lands for which [the members of the enterprise] hold spiritual and religious connections” (p. 61). It "enables the members to practise kinship [web of social relationships], gift giving and familialism preservation", and ultimately to preserve their culture (Pearson & Helms, 2013, p. 62). It appears that being able to live one’s authentic values and beliefs (e.g. connectedness to the land) is vital to build a successful social enterprise. Cultural and spiritual values seem to have much to offer regarding the design principles of a social venture.
Participative/collaborative approaches

Corner and Ho (2010) find in their empirical inductive multiple case study that collective action is one of the patterns that emerged across different innovation episodes. They provide evidence that “multiple, not individual, actors dynamically engaged in interactions that nudged an opportunity into manifestation” (p. 635). The actors collaborated to unite complementary knowledge that “was not possessed by a single person but was dispersed across multiple actors” (Corner & Ho, 2010, p. 651).

In an inductive multiple case study, Corner and Kearins (2013) investigate the processes of how resources are amassed and configured for social purpose enterprises. They find two micro-processes of dynamic capabilities that embrace collaborative approaches: 1) Social entrepreneurs engage in "cobbling across sectors" (p. 12) which facilitates exchanging knowledge and overcoming “extreme scarcity of resources” (p. 19). And 2) social entrepreneurs effectuate eco-systems which could "be inhabited by other actors" (p. 10). That means, beyond creating new social ventures, these entrepreneurs also created "communities of resources that were collectively able to solve social problems that had previously proven to be intractable" (Corner & Kearins, 2013, p. 33). These authors also propose research on collaborative advantage as a ‘‘methodology’ for creating social value” (p. 34).

Collaborative, transdisciplinary research and organisational approaches are useful to address complex problems since it facilitates the exchange and recombination of knowledge (Shrivastava et al., 2013). When organisations collaborate they can “co-create” a sustainable future (Li & Lin, 2011).

Montgomery, Dacin, and Dacin (2012, p. 375) focus on collective SocE and “the role multiple actors collaboratively play to address social problems and to create new institutions”. They highlight that resource utilisation approaches can differ in collaborative SocE regarding the combination of resource flows (e.g. within versus cross-sector flows; pooling versus trading resources, e.g. knowledge). The authors also identify three activities that describe the work of collective social entrepreneurs: framing, convening, and multivocality (Montgomery et al., 2012, p. 375). “Convening”
enables "collaboration between otherwise competing actors" (p. 384) which might allow for action that changes institutions. “Multivocality” means inclusion of multiple voices and lenses which might assist in the establishment of a diverse, non-dominant culture. It might also allow for different perspectives or interpretations and enable a more comprehensive understanding of complex issues. Montgomery et al. (2012) maintain collective action across sectors has the capacity to create markets, institutions and organisations, and to derive success by resonating through embeddedness in broader social movements. The strength of collaborative efforts with combined resources ("building credibility, sharing knowledge, and saving costs") appears to be effective to cause substantive social change (Montgomery et al., 2012, p. 382).

Lichtenstein (2011) suggests, based on a long-term qualitative study on large companies, that the locus of activity for sustainability should go beyond the organisational level. He defines eight ‘ecologies of entrepreneurial action’ that are all essential to induce change. It appears that in particular collaborative and participative activities are crucial for changing an industry towards sustainability, such as Network Affiliation (e.g. shared learning); Value Chain Collaboration; Industry/Sector Coordination; and System-Wide Integration. In addition, Individual Aspiration (prosocial motivation); and Social Transformation are relevant, with a change of perception being most important (Lichtenstein, 2011, p. 231). Ecologies such as Process Optimisation and Entrepreneurial Innovation primarily seek to introduce new more efficient technologies which might only reduce unsustainability (Ehrenfeld & Hoffman, 2013). The author draws on systems theory and highlights the interdependence and interconnectedness between the ecologies.

In an exploratory multiple case study, Alvord et al. (2004, p. 260) examine factors related to successful SocE that promote “significant changes in the social, political, and economic context for poor and marginalized groups”. Their findings reveal that social entrepreneurs adopt innovative forms to initiate change, such as building a movement (political change) and empowerment/building local capacity (cultural change). It was striking that the successful social entrepreneurs have "the capacity
to work with and build bridges among very diverse stakeholders" (Alvord et al., 2004, p. 274).

Sud et al. (2009) conceptualise SocE through an institutional theory lens (e.g. organisational legitimacy and isomorphism). It appears that social enterprises cannot solve social problems on their own. They need to partner with governments, education and other social institutions to be effective, for example to change societal values (Sud et al., 2009).

The extant literature provides significant evidence that collaborative organisational approaches can effectively create social value and lead to change in institutions. Future research should build on these useful insights into practices conducive to sustainability-as-flourishing.

**Pro-active transformational approaches to bring about radical change**

Dees (1998, p. 4) maintains that social entrepreneurs can be regarded as agents for fundamental and systemic change in the social sector. They address the “underlying causes of problems, rather than simply treating symptoms” (Dees, 1998, p. 4). In addition, social entrepreneurs show continuous innovative behaviour as a function of their relentless drive. These entrepreneurs “break new ground, develop new models, and pioneer new approaches” or simply use existing approaches in a novel way or to new circumstances (Dees, 1998, p. 4).

Martin and Osberg (2007, p. 35) who offer the most widely cited definition of SocE suggest that social entrepreneurs identify a fundamentally socially unjust equilibrium causing suffering and an opportunity within it. These entrepreneurs bring “to bear inspiration, creativity, direct action, courage, and fortitude” to challenge “the stable state’s hegemony” and to create a new more just equilibrium that “alleviates the suffering of the targeted group” (Martin & Osberg, 2007, p. 35). This definition highlights the creative mindset and proactive determined approaches of social entrepreneurs to bring about radical change.
Zahra et al. (2009) develop a typology of entrepreneurs’ search processes that lead to the discovery of opportunities for creating social ventures. They argue that social entrepreneurs can be divided into three different categories, depending on the way they discover opportunities, define their effect on the wider society, and allocate the resources required to exploit these opportunities: 1) social bricoleur (small-scale local initiatives, local knowledge theory by Hayek); 2) social constructionist (innovations to the broader social system, alertness theory by Kirzner); and 3) social engineer (introduction of revolutionary change in social structures/institutions causing systemic problems, “creative destruction” theory by Schumpeter) (Zahra et al., 2009, p. 523). This categorisation highlights that only some of the social entrepreneurs, the social engineers, strive for and are in the position to create radical far reaching change. Social bricoleurs and constructionists maintain the harmony in their communities but do not address root causes of social ills. It would be interesting to examine their holistic impact. One might argue that their impact is counterproductive against radical change since they might maintain the stable state of an unjust equilibrium. Or one could argue that a harmonic environment leads to an overall positive impact.

Porter (2012, p. 421) explores SocE “in the context of a larger transformation of capitalism”. He argues that SocE is a significant means to change the capitalist system toward the creation of shared value. Shared value creation—of both economic and social value simultaneously—might broaden the narrow view of capitalism in our society. This change of the capitalist system is believed to be already in progress, due to the "current crisis of legitimacy of capitalism" exhibited by corporate leaders disputing “the meaningfulness of their enterprises”(Driver & Porter, 2012, p. 422). However, Porter puts into perspective the force of SocE, maintaining that SocE cannot tackle all societal issues.

Parrish and Foxon (2009, p. 47) use a qualitative case study in sustainability-driven entrepreneurship to analyse the mechanisms involved in creating “larger-scale socioeconomic structural transformations toward sustainability”. The case study analysis is based on a co-evolutionary framework that relates the interconnected dynamics of alterations in “technologies, institutions and business strategies”
(Parrish & Foxon, 2009, p. 47). The authors offer empirical support for the view that the non-economic motivation of sustainability-driven entrepreneurs can induce wider socio-economic change (Parrish & Foxon, 2009).

It appears that many reviewed papers touch on pro-active transformational approaches towards radical change. However, few studies actually offer in-depth knowledge of how these approaches effect change. Researching the underlying mechanisms of how entrepreneurs with a social and/or environmental mission bring about societal change is considered fruitful.

**Pragmatic/experimental approaches**

Entrepreneurs appear to use pragmatic and experimental approaches to develop opportunities and build their organisations. Along these lines, openness, the affinity towards new experiences and creativity, is found to positively influence SocE (Koe Hwee Nga & Shamuganathan, 2010, p. 259).

In a qualitative study Di Domenico et al. (2010, p. 681) adopt the conventional bricolage concept for social entrepreneurial action and suggest an “extended theoretical framework of social bricolage”. The authors determine bricolage’s “key constructs as making do, a refusal to be constrained by limitations, and improvisation” (p. 681). Three additional constructs related to SocE are found: “social value creation, stakeholder participation, and persuasion” (Di Domenico et al., 2010, p. 681). The authors highlight that social bricolage is theoretically different from conventional bricolage. They maintain that the social enterprise bricoleur deploys a different mindset than other entrepreneurs when addressing social needs “by making do and creating something out of nothing (p. 699). Entrepreneurs “act as bricoleurs by improvising, borrowing, and experimenting with new or tinkering with existing elements” (Di Domenico et al., 2010, p. 685). This behaviour emphasises that they apply a creative, pragmatic and experimental approach to create social value – the kind of approaches that is deemed conducive to work towards sustainability-as-flourishing.
Similarly, Corner and Kearins (2013, p. 33) find that social entrepreneurs, use “bricolage and effectuation processes to stitch resources from external entities [...] onto their venture's resource configurations”. Entrepreneurs that cobble across sectors in unconventional, e.g. collaborative, ways and effectuate eco-systems seem use creative ideas to build a new environment better suited to address social issues. Also, entrepreneurs follow effectuation logic and regard targeted groups "as potential partners in creating social value" (Corner & Kearins, 2013, p. 35) to empower marginalised groups. Treating people with respect as on a par enables impoverished people to develop and thus, may contribute to the creation of a socially just and desirable space for humanity (Raworth, 2013).

Corner and Ho (2010) highlight that the processes during the stage of opportunity identification and exploitation for social value creation are organic and complex. They find this stage consists of a combination of effectuation and rational/economic processes. Effectuation, a process to create and intuitively experiment with innovative solutions, is often considered divergent to rational/economic and normative thinking (Corner & Ho, 2010; Sarasvathy, 2001). When applying effectuation, the social entrepreneur takes intuitive action to create or shape the environment rather than reacting to the objective world. One might argue that this approach can transform the environment. For radical change we need more creative ideas to develop opportunities that are not yet currently existent, e.g. by exploring “broad, relatively intangible, and unformed ideas” (Corner & Ho, 2010, p. 649). Effectuation and its out-of-the-box-thinking might be an approach to create and manifest novel opportunities in resource-constrained environments that promote sustainability-as-flourishing.

Gundry, Kickul, Griffiths, and Bacq (2011, p. 1) empirically find that catalytic social innovations – considered as the driver of systemic social change – are dependent on two variables: 1) bricolage (the ability to “make do” with the often scarce resources at hand) and 2) innovation ecology ("a set of institutional and structural supports"). The authors suggest that beneficial innovation ecology by itself is not sufficient for catalytic innovations (p. 19). The innovations need to be facilitated through social bricolage, rendering creative social entrepreneurs as "indispensable agents of social
In a creative way these entrepreneurs manipulate resources and manifest “social change out of nothing” (Gundry et al., 2011, p. 1). Gundry et al.’s paper highlights that in particular in environments with sub-optimal resources "bricolage becomes one of the key behaviours that social entrepreneurs must adopt when they encounter institutional constraints" (p. 17). It is maintained that bricolage behaviours originate from “ad-hoc intuitive processes” (Gundry et al., 2011, p. 17), emphasising a more subjective form of knowledge (compared to rational decision-making). This intuitive knowledge is regarded useful for finding solutions to intractable problems within complex systems (Ehrenfeld & Hoffman, 2013).

Desa’s (2012) mixed methods empirical study on resource mobilisation in international SocE supports the above findings. He provides evidence that “social enterprises confronted with institutional constraints [e.g. normative, regulative, and cognitive constraints] engage in bricolage to reconfigure existing resources at hand” to be able to survive (p. 727). He highlights that “bricolage can act as legitimating mechanism for institutional change” (p. 727). Bricolage activities as a mechanism to legitimate institutional change might support the development of a socially just and desirable Earth.

The reviewed literature offers substantial findings on how entrepreneurial action embraces creative, pragmatic, and experimental approaches as well as intuitive knowledge. Since these approaches and forms of knowledge are regarded as particularly conducive to the creation of a flourishing life on Earth, future research should build on the above presented findings and further investigate this arena. It would be interesting to know, for example, how to promote experimental, subjective approaches in entrepreneurial action.

**Reflective approaches**

Pavlovich and Corner (2013) find that regular and long-term spiritual practices (yoga) enhance empathy, in accordance with neuroscience research. An expanded consciousness seems to foster pro-social entrepreneurial intentions (Pavlovich &
Corner, 2013). Also, spiritual practices appear to expand the awareness and notion of interconnectedness between self and others and nature. An expanded awareness of interconnectedness has an impact on the awareness of social and environmental consequences of entrepreneurial action, which increases complex systems-thinking. Furthermore, during the opportunity development process the spiritual practices seem to promote experimental, subjective approaches and networking with others. In particular, the practices can lead to the suspension of “habitual cognitive and behavioural patterns” (Pavlovich & Corner, 2013, p. 9), enabling non-rational, more holistic, intuitive ways of knowing. The study provided evidence that the entrepreneur’s decisions and practices had possible "ripple effects" on stakeholders, such as employees or supply-chain partners (Pavlovich & Corner, 2013, p. 9).

In a conceptual paper Li and Lin (2011) suggest a new paradigm of organisational transformation which embraces a holistic problem solving approach. The new paradigm called "wholeness praxis" builds on recognising the “oneness of problem and possibility” (p. 107). They maintain that we need to comprehend the structures of our complex problems at a deeper level. Analysing the symptoms of a problem and the applying short-term fixes is not sufficient. Instead, we should reframe the problem by reflecting upon and searching for its root causes (p. 110) and envisioning unlimited “possibilities in problems” (p. 112). To develop the capacity of problem reframing Li and Lin (2011, p. 110) suggest to “shift our attention from the outer world to the inner world, cultivating our inner insight” and to attain “a clear, unattached mind”. Li and Lin (2011, p. 109) propose enterprises that enact wholeness practice “often share the spirit of global consciousness […], i.e. spirit for relating, sensing, presencing and creating with the greater whole”. These enterprises are considered to have the capacity to unite the interconnected communities worldwide and co-create “a more sustainable ecology and world” (Li & Lin, 2011, p. 109). The authors maintain that a few social enterprises (e.g. Ashoka Foundation) are currently embracing the oneness of problem and possibility, which enables them to create and enact systemic solutions.

Lough and McBride (2013, p. 221) find in a quantitative study that "solution-focused reflection following [voluntary] international service" is significantly related to
identifying and taking action on social entrepreneurial opportunities. Past experience, such as international voluntary service, confronting an individual with unmet needs of communities raises the individual’s awareness of social issues (Corner & Ho, 2010). It “may be one motivating factor preparing people to engage in social entrepreneurship”, but it is not sufficient by itself (Lough & McBride, 2013, p. 230f). It is argued that the “reflective capacity or cognitive aptitude” particularly impact the frequency of social entrepreneurial action (Lough & McBride, 2013, p. 231). It appears that a better understanding of how a heightened reflective capacity can lead to higher rates of social entrepreneurship is needed.

In conclusion, the few extant studies about reflective, e.g. spiritual approaches offer useful insight into practices conducive to sustainability-as-flourishing. However, much work, both theoretical and empirical, has to be done in this novel research arena.

Although not explicitly indicated as a helpful mindset earlier, creativity appears to stand out as a very beneficial and often displayed characteristic in entrepreneurship with a social and/or environmental mission (Dees, 1998; Gundry et al., 2011; Martin & Osberg, 2007; Miller et al., 2012). To create innovations that change the current system, creativity and innovative thinking appears to be a key characteristic of an entrepreneurial mindset (Rimanoczy, 2013).

**ISSUES/PROBLEMS ARISING IN OUR THEORISING AND IN PRACTICAL ENACTMENT**

Shrivastava et al. (2013, p. 233) raise concern that research on enterprise sustainability adopts "'scientistic' norms" and the ideology of functional disciplines. These approaches are likely to lead to reductionist research resulting in "rational, cognitive" knowledge that ignores “emotional, embodied and intuitive forms of knowing" (Shrivastava et al., 2013, p. 238). Also, conventional business research tends to be secluded from the real world of practice, from alternative thinking, and sustainability concerns (Shrivastava et al., 2013, p. 235). As an alternative they suggest transdisciplinarity because it “seeks open non-reductionist inquiry” (p. 236).
There is little consideration of planetary boundaries within SocE. For example Zahra et al.'s (2009) concept of total wealth only includes social and economic wealth, but neglects environmental wealth.

In EnvE and in SustE, some of the entrepreneurial approaches that take the environment into account still appeared to subscribe to traditional economic perspectives, including the growth paradigm (Lichtenstein, 2011; Thompson et al., 2011)—strongly in dispute with sustainability. Dietz and Porter (2012) offer a striking example of this growth oriented perspective. To Dietz’ question “how much profit is enough?” Porter answers "whatever you can make fairly, honestly, and ethically within the framework of laws and regulations governing competition. [...] profit is not bad" (Dietz & Porter, 2012, p. 426). His comment discloses that even in a capitalist system that embraces shared value creation people are unlikely to consider the capacity limits of the earth.

In line with the growth oriented perspective is the finding that extant literature has a focus on technological innovations and eco-efficiency (Lichtenstein, 2011; Parrish & Foxon, 2009; Patel & Mehta, 2011) to explore a transition to more sustainable socio-technical systems (Parrish & Foxon, 2009). This focus might induce an overreliance on technological and efficiency solutions to environmental issues which are considered to leading only to less unsustainability and incremental change (Ehrenfeld & Hoffman, 2013). It also might result in neglecting a change in the underlying beliefs and culture of our society.

**BENEFICIAL RESEARCH AVENUES IN ENTREPRENEURSHIP TO SUPPORT SUSTAINABILITY-AS-FLOURISHING**

Scholars and practitioners interested in promoting change towards sustainability-as-flourishing could investigate questions such as those that appear in Table 2 below. The outlined questions point to under-researched cognitive and behavioural domains in entrepreneurship, that is around mindsets and organisational approaches. The research suggestions include fairly new territory for entrepreneurship with a social and/or environmental mission, in particular research into a mindset of ecological embeddedness and reflective approaches. The questions were developed in relation
to identified research gaps in the Findings and Discussion section on Mindsets and Approaches to Sustainability.

**Table 2: Beneficial research avenues in entrepreneurship to support sustainability-as-flourishing**

<table>
<thead>
<tr>
<th>Mindsets</th>
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<tbody>
<tr>
<td>- How can sustainability-mindsets like empathy, complex systems-thinking, respect of planetary boundaries and creativity be nurtured within potential entrepreneurs with a social and/or environmental mission?</td>
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<tr>
<td>- What are the antecedents of morality/reduction of pure self-interest?</td>
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<tr>
<td>- Is there a link between compassion/other-orientation for humans with care for nature?</td>
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<tr>
<td>- How does an empathetic mindset play out in later stages of enterprise development?</td>
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<tr>
<td>- What are the antecedents of a mindset of complex systems-thinking?</td>
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<tr>
<td>- In what way and to what extent to entrepreneurs with a social and/or environmental mission embrace the notion of ecological embeddedness, beyond the notion of social embeddedness?</td>
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<tr>
<td>- In what way can enterprises with a social and/or environmental mission adopt organisational design inspired by nature (biomimicry) to promote sustainability-as-flourishing?</td>
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<tr>
<td>- How does creativity influence the social entrepreneurial process? How can creativity be enhanced?</td>
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<th>Organisational approaches</th>
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<tr>
<td>- What organisational approaches are helpful to overcome tradeoffs or to reconcile and resolve paradox tensions between social/sustainability/environmental values with business requirements?</td>
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<tr>
<td>- What do innovative ways look like that help to embrace complexities in entrepreneurial environments?</td>
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<tr>
<td>- In what way can attending to paradoxical tensions help to nurture complex systems-thinking that includes both the social and the environmental dimension?</td>
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<tr>
<td>- What is the holistic impact of social bricoleurs and constructionists on transformational change?</td>
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</table>
Table 2: (Continued) Beneficial research avenues in entrepreneurship to support sustainability-as-flourishing

- What are the underlying mechanisms for entrepreneurs with a social and/or environmental mission bring about societal change?
- What impact does effectuation versus rational/economic processes have on social value creation? Is either of the two processes better suited to create innovative, transformational change?
- What enables entrepreneurs with a social and/or environmental mission to apply (experimental, intuitive) bricolage activities?
- How can entrepreneurs be enabled to "make do"?
- How do reflective practices impact on social entrepreneurial sociocognitive processes, e.g. creativity and empathy or behaviour, e.g. bricoloage?
- (In what way) Do social entrepreneurs engage in reflective (e.g. spiritual) practices?
- What are the mechanisms by which the relationship between spiritual practice and the creation of social/environmental value within an enterprise manifest?
- (To what extent/How) Do enterprises with a social and/or environmental mission enact "wholeness praxis" and thus consider the oneness of problem and possibility?
- Based on what mechanisms can a heightened reflective capacity lead to higher rates of social entrepreneurship?

CONCLUSION

This paper identified entrepreneurial mindsets and approaches seen to support sustainability from the work of leading business and sustainability scholars. Extant entrepreneurship research concerning mindsets around compassion and empathy provides a useful starting point for future more in-depth and sustained research. Extant studies about participative/collaborative and pragmatic/experimental organisational approaches also offer useful insight into practices conducive to sustainability-as-flourishing. However, the findings reveal that—from a sustainability-promoting perspective—particular entrepreneurial mindsets, such as complex systems-thinking and awareness of planetary boundaries, and organisational approaches, including organisation design reconciling social/sustainability/
environmental values with business requirements, and reflective approaches, are under-researched.

Early research focused on the extraordinary personality of the entrepreneur, e.g. social traits, skills, vision, ethical understanding, and it has been pointed out that research should move more to entrepreneurial activities (Mair & Martí, 2006, p. 38) with a process focus being widely advocated (Desa, 2012; Goldstein et al., 2010; Grimes et al., 2013; Hall et al., 2010; Montgomery et al., 2012). However, it appears that the cognitive dimension is still relevant and worth researching. What drives and fuels social, environmental and sustainability-focused entrepreneurs who attempt to address complex sustainability problems is not well known. Looking at the cognitive and personal dimension needs to occur hand-in-hand with investigations into the behavioural dimension of their entrepreneurial enactment. Understanding what they do, and how they organise their entrepreneurial ventures to address these complex problems is important. These two dimensions cannot really be separated.

This review also highlights issues arising in current theorising and representations of practical enactment. Research embracing only the neoclassical economic perspective building on the growth-paradigm is not considered to be particularly helpful for sustainability. Also strongly scientific and reductionist research approaches have to be questioned since they neglect more holistic and intuitive ways of knowing (Shrivastava et al., 2013).

The paper contributes to the development of research in both sustainability and entrepreneurship with a social and/or environmental mission, since it links these two previously only shallowly linked research domains in a more systematic manner. Furthermore, it offers a new perspective on social, sustainable, and environmental entrepreneurship and research in these domains, focusing on the requisites for sustainability-as-flourishing. The paper reveals that particular entrepreneurial mindsets, such as complex systems-thinking and awareness of planetary boundaries, as well as organisational approaches, including pragmatic/experimental and reflective approaches, are under-researched. It also argues, why research on them would be beneficial. The paper contributes a critical account of the current
theorising and representations of practical enactment of entrepreneurship with a social and/or environmental mission and points to where researchers interested in promoting radical change might best direct their attention.

For entrepreneurs with a social and/or environmental mission, the findings indicate that they should embrace more complex systems-thinking and raise their awareness of planetary boundaries. They might also want to engage more in reflective, e.g. spiritual practices, to enhance their awareness of interconnectedness with other humans and nature. Research to date suggests the utility of such an approach. Indeed it plays into mindset – both in forming and nurturing a mindset that promotes sustainability-as-flourishing. However, the mindset for embracing such practices in the first place might well be absent in much traditional business school education. This has implications for business educators and what we teach in business schools. The bigger challenge is connecting the more spiritually aware and connected mindset with entrepreneurialism, and with organisational practices. Some of what people see in traditional entrepreneurial and business enactment – competition, growth obsessions – might not appeal. We need both more good models of successful social, environmental and sustainability-promoting enterprises, and entrepreneurs prepared to tell their stories – both to attract other would-be entrepreneurs, and also as subjects for our research.

REFERENCES


EXTENDED ABSTRACT

METHOD

In writing this presentation I struggled about what approach to take, whether to discuss and argue examples of social enterprises, give examples of my own initiatives or to create a more personal account and discuss the history and environment that creates a Social entrepreneur and innovator. So with some hesitation I decided on the latter as it tells a story about the dynamics of being or becoming a social entrepreneur. In this paper I discuss my history and identity as a multi ethnic multi racial multi- “national” and claim the term “Mulatto” Lindsay C. Harris (2012), and describes the early to mid 1980’s dynamic youth work, Maori protest movement, education and social services development and public health promotion period and how this process of conflict, osmosis of ideas and values informed and created an environment for social enterprise and innovation to emerge. This paper travels through the 1980’s and 1990’s and discusses three iconic social enterprises: The Glenfield Youth Centre, Tuhi Tuhi Communications and Pasifika Clothing in an auto biographical manner.

RESULTS

Glenfield Youth Centre

My social justice walk started by establishing in 1981, with my peers at Glenfield College, the Glenfield Youth Group running disco’s school lunch time concerts and discussion groups including anti apartheid (small a) meetings. By 1982 we opened the Glenfield Youth Centre. We had no adult support, youth workers or Council capacity building or knowledge of what social capital was it was just us youth and for the most after two years of negotiation it just my friend Bruce Brereton and me were
left standing but soon our youth group grew to hundreds Robinson, D. & Williams, T. (2001).

Whatever we created became an amazing journey of what in community development speak we would now call “community led development”...it was political, transformational for all youth and their Whanau involved and hundreds of youth and their families participated Ewen Derrick QSO, (1993). Furthermore we believed that communities that experienced inequity must be their own example in the struggle for their redemption. This is not done for us, to us but by us. From these mixed experiences in order to survive you needed to know who you are and where you come from and you needed to be or become a social entrepreneur and innovator as it was a time for beginnings.

**Tuhi Tuhi Communications**

Virginia Tamanui PhD and I established Tuhi Tuhi Communications in 1989 as a vehicle to introduce Maori and Pacific graphic artists into the design sector and to develop the capacity of a Browning future market place. Many young talented people came through our doors including young pacific people from Tagata Pasifika Education and Resources Trust. Others came from AIT (AUT) and Carrington Tech (UNITEC). We were supported by the Margaret Crozier from Community Employment Group (CEG’s) who granted us $7’000 to start up and build up our capacity. Tuhi Tuhi Communications and we developed TAKOA (Te Aka Kumara O Aotearoa, a Directory of Maori Organisations and Resource Peoples) in 1993. This has arguably become New Zealand primary Maori networking tool which this year (2013), celebrates its 20th year anniversary.

**Pasifika Clothing**

In 1992 Stan Tallon and I collaborated with our extended aiga/Whanau to create the iconic Pasifika Clothing brand. We wanted to ensure that Polynesian designers in particular had a place to come and practice their craft and where young people who came to us on work experience had a unique and liberating experience. It had business goals with social goals and cultural values Handy, C., (1998).
Pasifika Clothing opened a shop in High Street in 1993 and sold wholesale to World, Paris Texas and many others. We hitched a ride on the Hip Hop wagon and associated the Label with Sisters Underground, Salt & Pepa, Semi MC’s and Otara Millionaire’s Club. It also sponsored and exhibited in the first few Pasifika Fashion Shows although we pre-dated the Pasifika Festival in terms of Trade Mark. Over 6 years Pasifika Clothing mentored over a hundred young designers and leaders many of whom are now successful in their own fields. Pasifika Clothing will host a special photographic exhibition at the end of this year documenting its history and relationships.

IMPLICATIONS

These three innovations and social enterprises are about developing strong and lasting relationships which honour the histories and experiences of diverse communities in a unique urban New Zealand context. It is about knowing who you are about knowing power, white and colonial privilege and developing products and innovations that help reset the balance in a very personal way. To me being a social entrepreneur is being an activist that demands change but needs to take personal creative and positive action to help bring about that change. It requires creative expression with a personality hint of risk taking exuberance.

REFERENCES

Means and Ends: Towards a Well-being Theory of (Social) Innovation.

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ABSTRACT

Many researchers acknowledge that innovation, including social innovation, can have negative as well as positive impacts and now regard the normative assessment of innovation as a key research challenge. A convergence of ideas suggests that subjective well-being (SWB) is a promising part of the answer. I discuss recent literature that supports this claim and introduce a general model of the innovation-SWB nexus. Its key feature is the inclusion of multiple SWB impacts of processes as well as outcomes. I then discuss further supporting evidence for a unified well-being theory of innovation. A promising next step in the development of such a theory would seem to be a fusion of the SWB and capability approaches.

KEYWORDS

Technological innovation, social innovation, subjective well-being, well-being theory of innovation, procedural utility.

INTRODUCTION

Innovators, entrepreneurs and policy makers often regard innovation itself as a welfare criterion, i.e. innovation is seen as something positive by definition. This is, at least to a certain extent, understandable, given the lack of a welfare theory of innovation. In contrast, many researchers in the ‘traditional’ field of innovation studies, evolutionary economists, as well as social innovation and social entrepreneurship researchers, now regard the normative assessment of innovation as a key research challenge (see, e.g., Martin, 2012; Mulgan 2012a,b; Schubert, 2012a,b; Binder, 2013a,b). This challenge goes much beyond devising a ‘welfare theory’ based on outcomes, which is the standard approach in mainstream
economics. Innovation is both a process and an outcome, i.e. a means and an end, requiring the normative assessment of both.

This paper advocates measurement and analysis of subjective well-being (SWB) impacts of innovation as a promising step towards a normative theory of innovation. It is arguably an ‘idea that is in the air’, combining scholarship on social and technological innovation, knowledge-based economies (KBEs) and ‘happiness’ research. The latter has developed fast over recent decades, and now influences many policy areas, but not, it seems, innovation policy. This is despite the fact that the availability of SWB data has increased greatly and that SWB accounts have become part of official statistics in many countries.

Elsewhere I have argued that policies for KBEs should take insights from happiness research into account (Engelbrecht, 2012a) and proposed a general model of the innovation – SWB nexus (Engelbrecht, 2012b). That model extends an earlier one by Swann (2009) that is based on a broad understanding of wealth associated with John Ruskin (1819-1900), who is probably better remembered as a philosopher and art historian rather than as an economist, and whose thinking seems to have underpinned modern English socialism and much of the 20th century welfare state (Swann, 2001). Ruskin clearly distinguishes between material (‘mercantile’ or traded) wealth and a much broader conception of wealth closer to ‘quality of life’, which he regards as ‘real wealth’ (ibid.).

Trying to account for real wealth broadens the perspective when assessing the impacts of innovation to the many facets of quality of life that go beyond ‘economic factors’ and that are not mediated through markets. This immediately opens the scope of analysis to innovations aimed at improving such aspects of wealth, i.e. what Pol & Ville (2009) call ‘pure’ social innovations addressing needs not satisfied through markets. Moreover, Ruskin emphasized that wealth creation also requires that people have the capacity to turn it into quality of life: “…our definition of Wealth, expanded, becomes: “The possession of useful articles, which we can use.” … For wealth, instead of depending merely on a “have,” is thus seen to depend on a “can”.” (Ruskin, 1906, p. 123).
A key feature of my general model is the inclusion of multiple SWB impacts of processes as well as of outcomes, i.e. of means and ends. The former are manifestations of what Frey et al. (2004) call procedural utility, i.e. the "noninstrumental pleasures and displeasures of processes" (ibid., p. 378). Procedures and institutions under which people live and work (hierarchies, labour laws) affect SWB. Many aspects of my general model also figure strongly in discussions about social innovation and social entrepreneurship. They include, e.g. the SWB impacts of the workplace and procedural utility in general. ‘Creative destruction’ is not limited to technological innovation\textsuperscript{23}, although one might assume that social innovation has a more direct link to improving SWB compared to other forms of innovation because it is “often prompted by unhappiness, disappointment, or anger” (Mulgan, 2012a). However, the possibility that not all social innovations are desirable and that they can have ‘a dark side’ cannot be excluded and needs careful consideration (Pol & Ville, 2009; Nicholls & Murdock, 2012; Mulgan, 2012a). Given this convergence of ideas, I question whether there is a need for a separate normative theory of social innovation that differs from that for other types of innovation.

I advocate use of my general model as a focussing device to highlight the many potential SWB links and feedback effects associated with innovation. While we can never hope to capture all possible SWB impacts, this should not be an excuse not to try to capture as many as possible in order to build up our knowledge of the SWB implications of innovation. It should be noted that I do not advocate 'maximisation' of SWB, but I do advocate use of SWB impacts as an additional input in the assessment of innovation, and into policy-making. They capture many aspects of social value creation and destruction that are usually neglected. This might result either in the modification of already existing policies, or in novel policies supporting social innovation and social entrepreneurship.

\textsuperscript{23} In this paper I use the term technological innovation to refer to for-profit business innovation. Innovations differ in terms of intended purpose and objectives, giving rise to many definitional and boundary issues, as witnessed by the many attempts to define social innovation. See, e.g., Phills et al. (2008); Howaldt & Schwarz (2010).
Other forms of innovation also impact on social value, but they are undertaken primarily to create commercial value, i.e. profit, in the first instance. A normative analysis of (even technological) innovation has to go beyond judging innovation only by commercial criteria and instead focus on societal outcomes. Phills et al. (ibid., p. 39) make societal outcomes the main criterion for their definition of social innovation, although it is a fuzzy one (‘benefits tilted towards the public or society’), a point also made by Borzaga & Bodini (2012). However, in my view this definition of social innovation is not specific enough as I suggest that a ‘welfare theory’ of innovation must use the same social value criterion for all types of innovations. I suggest that assessment of SWB impacts goes at least part of the way towards such a criterion. Given the seemingly convergent views of a number of researchers about the ingredients of a normative theory of innovation, I prefer the term ‘well-being theory of innovation’ instead of ‘welfare theory of innovation’. Of course, there are also other ways of assessing the outcomes of social innovation, and each has its advantages and disadvantages (see, e.g., Ormiston & Seymour, 2011; Antadze & Westerly, 2012; Marée & Mertens, 2012). They are best seen as complementary to the ‘SWB lens’ on innovation I advocate, but they are not discussed in this paper.

The next major section of the paper discusses some recent literature related to the normative turn in innovation studies that supports the claim that development of a well-being theory of innovation is ‘in the air’. Next, I introduce the general model of the innovation-SWB nexus. I discuss its major elements and some of the major linkages between them, as well as other aspects of the model. This is followed by a section that discusses further supporting evidence for a unified well-being theory of innovation. I finish with some concluding comments.

24 Note that even mainstream economic welfare analysis tries to do this by (very restrictively) focussing on well-being effects of consumption and leisure time only.

25 Others have made similar points. For example, Howaldt & Schwarz (2010, p. 26) argue that “to provide a distinct definition of social innovation normatively is problematic. After all, even technical innovations can contribute to solving social needs and meeting social challenges.”
SUBJECTIVE WELL-BEING & INNOVATION: AN IDEA THAT IS ‘IN THE AIR’

In the past there has been little, if any, mutual acknowledgement between the policy discourses about KBEs and happiness or SWB research (Engelbrecht, 2007, 2012a). It is only recently that a number of different literatures seem to be converging on a normative assessment of innovation in terms of SWB. In this section I discuss some recent contributions that lend support to the view that exploration of the innovation-SWB nexus is an idea that is ‘in the air’.

Martin (2012), a prominent innovation researcher, reviews the main contributions of innovation studies since its inception approximately half a century ago and proposes 20 challenges for the coming decades. They are to jolt the reader “from taken-for-granted orthodoxies and cosy assumptions” (ibid., p.1). Many of the challenges can easily be related to my model of the innovation-SWB nexus. The most obvious ones are probably challenges 7 to 9:

Challenge 7: From risky innovation to socially responsible innovation. Martin mentions risks and unintended consequences for the environment, less desirable working conditions, or other adverse effects on the quality of life. Past research in this vein has been carried out under labels such as constructive technology assessment, the public understanding of science, the ethical, legal and social implications of research, the precautionary principle, and mechanisms such as consensus conferences and citizen juries, resulting in a call for ‘responsible innovation’ (for references, see ibid., p. 13).

Challenge 8: From innovation for wealth creation to innovation for well-being (or from ‘more is better’ to ‘enough is enough’). Martin argues that instead of economic growth and GDP, we need a different notion of progress, i.e. well-being, and suggests that:

Such a transformation in our concept of progress and in societal goals will require fundamentally new policies, and these, in turn, require the

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26 Part of this section is based on section 5 in Engelbrecht (2013).
development of appropriate empirical methods, indicators, analytical approaches and conceptual frameworks. Work on such issues has been begun by a few, but the next generation of IS [Innovation Studies] scholars will need to build on these foundations if the shift to innovation for well-being is to be achieved. (Martin, 2012, p. 14)

**Challenge 9: From ‘winner take all’ to ‘fairness for all’?** Martin (ibid., p. 15) comments that we “…. have a duty at least to explore whether we can say something about how corporations and others might generate innovations that, rather than turning a few individuals into billionaires, instead result in greater ‘fairness for all’.”

Martin (2012) acknowledges that innovation tends to be defined and measured in terms of dominant forms of innovation a few decades back and recognizes that the field of innovation studies has to broaden considerably to catch up with modern developments and stay relevant. He specifically mentions social innovation as one of the forms of largely ‘invisible’ innovation (Challenge 1). I take this as an indication that the potential for developing a general model of innovation that includes social innovation are better now than in the past.

Turning to procedural utility, empirical evidence of its importance has been accumulating. Frey & Stutzer (2005) find that people gain procedural utility from political participation rights. Block & Koellinger (2009) suggest that entrepreneurs who strongly value independence and creativity might extract procedural utility from their entrepreneurial work, in addition to financial returns. Donegani et al. (2012) investigate the extent to which job satisfaction differs between employment in the non-profit sector and the private and public sectors. Using a representative sample of 17 years’ data from the British Household Panel Survey (1992-2008) and controlling for personal, job and organisational characteristics, they find that workers in the non-profit sector are clearly more satisfied with their jobs, although differences between the sectors seem to have declined over time.

Evolutionary and Schumpeterian economists are trying to develop a normative theory of creative destruction, and some focus (at least partly) on procedural utility and SWB. In a number of papers, Schubert (2012a,b, 2013) argues for an
evolutionary (Schumpeterian) theory of well-being that incorporates aspects of SWB and procedural utility, but goes beyond them. Schubert (2012a) proposes a well-being measure that focuses on 'effective preference learning', i.e. on a person’s motivation and ability to learn new preferences in all domains of life. He also prefers the ‘constitutional’ approach to SWB politics that focuses on procedural sources of SWB arising from the design of the institutional framework of society, over the ‘hedonic maximisation approach’, but argues it needs to be extended because the pursuit of happiness transcends procedural utility (Schubert, 2012b). It should include anticipation of hedonically valuable outcomes, as well as preference learning. There needs to be enough novelty (uncertainty) so that people can learn new preferences. However, the conflict between uncertainty and SWB is not highlighted by Schubert. In another paper, Schubert (2013) tries to further strengthen the case for effective preference learning by taking guidance from the master himself. Like Schumpeter, he tries to distance himself from SWB measures. It remains an open question whether his approach can be empirically implemented.

Binder’s (2013a,b) views are in many respects similar to mine. He currently seems to come closest to my view on the role of SWB as a normative indicator of innovation. Binder (2013a) argues that research on SWB has progressed to a stage where SWB measures can be used to assess the welfare effects of innovative change. Theories of SWB enable “a nuanced and comprehensive assessment of the effects that innovativeness has on a society” (ibid., p. 561). However, he does not propose a multifaceted general model of the innovation-SWB nexus, and his views on policy seem more hands-off than mine. His view of policy is to focus on creating the institutional frameworks that allow individuals to pursue SWB. I would argue that the model of the innovation-SWB nexus might also be used to identify discretionary policy interventions aimed at supporting SWB without trying to maximise it.

In another paper, Binder (2013b) sketches a promising way forward in the development of a well-being theory of innovation, i.e. he tentatively explores to what extent a fusion of the SWB perspective with Sen’s (1985) capability approach might be able to overcome what he perceives as the weaknesses of both approaches. Without referring to Ruskin, Binder’s proposal seems to capture the Ruskinian view that wealth requires the capacity to use it. Binder suggests using features of the
capability framework to enrich the SWB approach: Welfare assessments should be based on 'SWB capabilities'. However, a dynamic perspective of this approach remains to be developed. Also, Binder does not implement his proposal empirically, and important issues remain to be resolved. For example, his view that the relevant time frame for analysis should be life-time well-being seems somewhat optimistic, at least for the foreseeable future. In short, Binder’s (2013b) SWB capabilities perspective needs to be developed further, theoretically as well as empirically, and arguably should be called a Ruskinian perspective on wealth and well-being.

Somewhat surprisingly, Binder (2013b) does not reference Veenhoven (2010), who compares and explores the relationships between the capability and happiness (i.e. SWB) approaches. Relating findings from happiness research to capabilities identified by Nussbaum (2000), Veenhoven wants to know what capabilities are required to lead a satisfying life. Capabilities affect happiness at the individual level, but also indirectly at the societal level. Moreover, causation can go both ways (e.g. happier people are often healthier). Capability and happiness are often positively correlated: “Capability is typically conducive to happiness, while happiness enhances capability” (Veenhoven, ibid., p. 350). In short, the differences between the two approaches might be overstated. In case of reciprocal causality, there might be little conflict between policies that focus on one or the other. This suggests that while discussions about conceptual differences will continue, differences might be less pronounced when it comes to measurement and policy advice.

Similarly, Blinder (2013b) neglects to mention social innovation and social entrepreneurship researchers that express related ideas with respect to capabilities. For example, Pol & Ville (2009) focus on quality and quantity of life, where the former is defined in objective, not subjective, terms, i.e. what they call 'macro-quality of life' that they characterize by “the set of valuable options that a group of people has the opportunity to select” (ibid., p. 882). They include things like material well-being, education opportunities, health, job security, family life, environment political stability and freedoms. Ziegler (2010) has suggested the use of the capability approach as a normative framework for the assessment of social innovation and social entrepreneurship. He defines social innovation as the carrying out of new combinations of capabilities, and social entrepreneurship as creating such new
combinations. However, both Pol & Ville (2009) and Ziegler (2010) explicitly dismiss notions of SWB. In my view, this is at least premature and neglects the advances made in SWB research and its impact on policy. In contrast, Wobbe (2012, p. 321) suggests that a ‘happiness indicator’ might be a relatively simple indicator for monitoring the effects of social innovations, but he does not take this suggestion any further.

Mulgan (2012a,b) emphasizes the potential importance of both SWB and capabilities for assessing the outcomes of social innovation. Asking ‘What is social innovation for?’, he explicitly refers to the literatures on capabilities, happiness and well-being. He argues that:

These theoretical perspectives can lead to radically different views of what matters – for example, implying a much greater priority to mental prosperity, rather than prioritizing material factors, or focussing attention on psycho-social relationships and their cultivation. …

…the more interesting implications of this new field of theory and analysis lie in how it opens up novel questions: Which kinds of consumption most contribute to happiness and which may diminish it? What kinds of work organization are most conducive to well-being? Can philanthropy make up for the unhappiness of a very unequal society? (Mulgan, 2012a, p. 58/9)

At the end of his chapter, Mulgan lists a number of common elements which have at least some clear implications for practice. The last one listed is that there are “signs that a growing interest in well-being and capabilities could provide both the theoretical and practical glue to hold social innovation practice together, and provide some common measures of success” (Mulgan, 2012a, p. 61).

A GENERAL MODEL OF THE INNOVATION – SUBJECTIVE WELL-BEING NEXUS

Figure 1 shows Swann’s (2009) complex and multifaceted model of innovation and wealth creation. It highlights the many potential direct and indirect impacts associated with innovation. Swann does not think that all of them are equally
important, but that all of them exist. The selection of elements (categories of variables), and therefore also of potential links, is a question of judgement and, hence, contestable. The general model is best thought of as a focussing device that helps raise awareness of the many possible links and feedbacks, and also helps generate hypotheses. In any particular application the model will be made specific, and context, data constraints etc. will indicate what elements (and variables to proxy them) and links should and can be included and explored.

In my modification and extension of the model (Engelbrecht, 2012b) I divide ‘wealth & welfare’ into three separate elements. One is a ‘material standard of living’ element that can be proxied by standard economic performance measures such as GDP and productivity, or by the newer ‘total wealth’ measures associated with the capital approach to development (World Bank, 2011). The other two elements capture well-being derived from the ‘standard of living’ as well as potentially from all the other elements in the model. I use two elements for this because I want to clearly distinguish between subjective and objective well-being measures, i.e. one element is SWB, the other ‘objective well-being’.

The concept of SWB is diverse, capturing different aspects of people’s subjective experiences. I suggest using life satisfaction (LSF). It captures longer-term considerations of the ‘good life’ and its ethical dimensions. A detailed discussion of different SWB measures is beyond the scope of this paper (for further discussion see, e.g., Diener et al., 2009; Helliwell et al., 2012). LSF can be measured for ‘life as a whole’, for specific life domains (such as work, family life), for particular groups of people in society, for particular job facets. The different measures arguably convey different but complementary information about SWB of use to policy-makers. When implementing the model, due consideration needs to be given to the appropriate choice of SWB measure(s).
‘Objective’ wellbeing can be proxied by consumption-based utility and social welfare, i.e. mainstream economics welfare criteria, and also a multitude of ‘objective’ quality-of-life indicators (for example, health, education, and social indicators, including measures of inequality) and wellbeing indicators collected by many government and non-government organisations (see, e.g., Stiglitz et al., 2009; OECD, 2011b; New Economic Foundation, 2011; ONS, 2013).

Another difference between Swann’s and my model is that I do not have a separate ‘consumption’ element. Instead, the impacts of consumption are captured by links to
the objective and subjective well-being elements. Below I briefly discuss the other elements included in my model and some of the links. For a fuller discussion, see Swann (2009) and Engelbrecht (2012b).

I extend Swann’s ‘Creativity & Invention’ element to also include R&D, entrepreneurship, and luck. They are all potential inputs into the innovation process. Depending on the specific application, one can argue about whether some of them should be split into separate elements, especially entrepreneurship.

The workplace is included as an element because for many people the work domain is a central part of their life and identity, potentially receiving as well as generating many of the positive and negative SWB impacts associated with innovation. Work can create much stress and illness in people’s lives (OECD, 2011a). However, a certain level of stress can help people succeed in challenging tasks, creating ‘flow’ experiences (Csikszentmihalyi, 1990). The relationships between work and SWB have been the subject of many different strands of research. Todderdill et al. (2012) point out that workplace innovation, being an inherently social process, is also a key dimension of social innovation leading to profound social outcomes including better health, active aging, social cohesion and wealth creation. In contrast to work, researchers report the impact of (involuntary) unemployment on SWB as consistently and overwhelmingly negative.

27 See, e.g., Helliwell & Huang (2011) and Dewe & Cooper (2012). Research on workplace SWB and productivity is also multifaceted and has a long history. For a survey, see Zelenski et al. (2008). Despite there being many inconsistent findings, overall there seems to be a positive relationship between the two. A recent empirical study by van der Meer & Wielers (2013) finds that SWB in the workplace is positively associated with autonomy on the job, low work pressure and regular work hours. They also find clear differences between countries. As mentioned earlier, Donegani et al. (2012) find higher job satisfaction in the non-profit sector compared to other sectors of employment.
Markets for goods and services (the ‘product market’) are an essential part of the model, given the broad definition of innovation employed, i.e. one that covers both technological and social innovation. Relationships between technological innovation and markets are complex. Different market structures influence innovation in different ways, and innovation also influences market structure, for example by affecting the degree of firm concentration (see Swann, 2009, chapter 18). Markets for goods and services remain of relevance in the context of the social economy and social entrepreneurship, as revenue-generating activities are often seen as important for the financial viability of non-profit enterprises that cannot exist on grants and donations alone.

A model of the innovation-SWB nexus has to include as one of its elements the natural environment, i.e. it has to include an element that can account for environmental sustainability. Not only do other elements in the model impact on the natural environment, but the natural environment also impacts on them in many ways.

A useful starting point for the discussion of links in the model, especially for readers more used to thinking about technological innovation, is to consider that the (simplistic) linear model of technological innovation is contained in Figure 1 as a special case. It implies causation going from creativity & invention to innovation, to the workplace, to the product market, to consumption, thereby increasing wealth & welfare. Unrealistically, there are no reverse linkages (i.e. feedback effects) between different elements, and innovation only creates wealth if it increases consumption mediated through markets. However, even if the linear model were correct, adding a SWB perspective that assesses procedural utility as well as outcome utility creates the possibility that adverse SWB impacts, for example due to stress in the workplace, might counteract any positive impacts due to consumption.

Swann (2009) mentions that there might be a direct link from creativity to the workplace, e.g. companies allowing staff to spend some time to pursue their own blue sky projects, which might, or might not, result in invention and innovation. This might increase SWB, as well as work morale and productivity. There are other potential links between creativity and SWB. They can arise from the process of invention and innovation itself, and might be mediated through the workplace, or not.
For example, engaging and rewarding work due to its emphasis on innovation enables self-actualization and self-discovery. However, people also derive SWB from hobbies that require creativity (writing, painting, gardening), some of which link to the natural environment. They are closer associated with Ruskinian wealth. Entrepreneurs might similarly experience positive SWB impacts through the process of being entrepreneurial, but potentially negative SWB impacts of entrepreneurship should not be ignored (Wright & Zahra, 2011). As mentioned before, empirical studies provide conflicting findings on the link between entrepreneurship and SWB.

It is also possible that there are negative links between workplace conditions and the environment. Swann (2009) mentions environmental impacts of the early industrial revolution, but one can think of many current examples (e.g., pollution of the environment).

Some innovations bypass the workplace and create a direct link to the product market, i.e. those directly affecting the organisation of markets. Swann (2009) gives as examples the invention of the supermarket and e-business replacing smaller shops, increasing the need for travel by car and increasing the carbon footprint (thereby creating further links from the product market to SWB and to the natural environment). In contrast, the invention of farmer’s markets that sell local produce might have opposite impacts.

There could also be SWB impacts associated with the process of consumption, i.e. due to consumption externalities (more garbage, lower amenity values, depleted resources) and status effects (keeping up with the Joneses, the hedonic treadmill). Schwartz (2004) suggests that the process of purchasing final goods and services itself might reduce SWB if an abundance of choice produces anxiety. Swann (2009) points out that the market place can have SWB impacts other than those associated

28 Negative impacts might range from impacts on family and personal life to fraud and corruption. Wright & Zahra (2011, p. 1) argue that these costs ("the dark side of entrepreneurship") "should be systematically integrated into the study and policy evaluations of entrepreneurial activities".
with consumption, for example people might derive pleasure from browsing (another aspect of Ruskinian wealth).

Von Hippel's (1988, 2005) user innovation by intermediate or final consumers can create another set of links connecting creativity, invention, product market and consumption. Similarly, open source contributions, crowd sourcing and related voluntary peer production activities often link creativity, invention, innovation and SWB in KBEs, while also increasing the standard of living. Depending on the characteristics of such activities and the degree of commercialisation of their outcomes, they might lead to commercial or non-commercial innovations. Benkler (2006) goes so far to argue that such activities herald the arrival of a new, although somewhat fragile, mode of production in the internet age which by-passes conventional work arrangements and markets.

It should also be acknowledged that not every innovation is acceptable to all consumers. For example, nuclear energy, genetically modified food, cloning, chlorination of drinking water etc. might reduce SWB for some people, especially if adoption cannot be circumvented.

There are many other potential links between elements. For example: The positive link from the natural environment, due to its amenity value, to SWB; the negative links from environmental pollution (even at levels well below current regulatory standards) to SWB, human capital formation, job performance and economic growth (Graff Zivin & Neidell, 2013); the positive impacts of social capital on SWB (Helliwell & Putnam, 2004; Helliwell & Wang, 2009), innovation (Akçomak & ter Weel, 2009) and entrepreneurship (Gedajlovic et al., 2013)\textsuperscript{29}, various links due to wealthy individuals (Swann, 2009), i.e. creativity, invention and innovation might be

\textsuperscript{29} Estrin et al. (2013) argue that social entrepreneurship is a source of social capital and that it has strong positive externalities. In particular, it enhances the likelihood that individuals become commercial entrepreneurs. Their view on the relationship between more common definitions of social capital (e.g. trust) and entrepreneurship seems to differ somewhat from that of Gedajlovic et al. (2013), indicating unsettled conceptual and measurement issues about social capital and its role in innovation and entrepreneurship.
supported by business angels or through philanthropy (e.g. large donations to universities).

Last but not least, one should think of the model as being embedded in a box or frame that captures broad societal factors (‘framework conditions’), such as institutions, values and culture that influence innovation, SWB, the other elements and the links between them.\(^{30}\) This includes, e.g., the Intellectual Property Rights regime and opportunities and incentives for talented individuals. Note the emerging literature on the institutional determinants of entrepreneurial activity. Valdez and Richardson (2013) summarize the earlier literature and then conduct a cross-country regression analysis, focussing on three broad aspects of institutions (three institutional pillars), i.e. regulative (rules), normative (norms and customs) and cultural-cognitive (cultural values and beliefs). Their findings suggest these institutional aspects may be more important for entrepreneurial activity than purely economic factors. Income distribution effects will also be influenced by framework conditions, like the extent of the welfare state, support for retraining, etc. In short, additional (national and/or international) factors impacting the elements and links might need to be added.

When it comes to applying the general model to a specific innovation, many other issues have to be considered that require pragmatic answers. For example, the importance of each element and link will differ. Choices and compromises will have to be made depending on the particular focus of the analysis and data availability. The same applies to the level of aggregation used and, most importantly, the time horizon to be considered. SWB impacts tend to vary over time, and it would be interesting to trace out some time paths associated with particular innovations and explore the reasons for them. Researchers should also indicate important aspects that should be, but cannot be, measured.

\(^{30}\) See Helliwell (2012) on the importance of the social context for SWB, and the implications for the management of public and private institutions.
SOME FURTHER EVIDENCE SUPPORTING A UNIFIED WELL-BEING THEORY OF INNOVATION

In principle, the general model of the innovation-SWB nexus is applicable to all types of innovation and sectors in the economy (i.e. public, private for-profit and non-profit sectors). There is no need for a separate normative theory of social innovation. This argument is strengthened by the often observed close relationship between technological and social innovation, research on the well-being implications of the social economy, and emerging empirical research that explicitly links innovation and SWB.

Franz et al. (2012) argue that the rise in importance of social innovation goes hand in hand with the rise of KBEs, and that this is characterised by the opening of the innovation process to society. I tend to agree, but this feature equally applies to technological innovation, as my earlier discussion of Martin (2012) indicates. Franz et al. (2012, p. 4) also note that “many a social innovation was not intended as social”. They discuss the example of McDonalds (fast food) and how it changed the traditional idea of eating out. However, they do not mention any negative impacts (e.g. negative health effects of eating fast food). Further, Franz et al. (2012) regard the internet as the major social innovation of the past 20 years, changing our ways of communicating and working together. These two examples show the close relationships between (some) technological and social innovations, where technological developments lead to changes in social practice. Others have also observed that the overlap (or intersection) between social and technological innovation is substantial (Pol & Ville, 2009; Borzaga & Bodini, 2012).

Another feature linking technological and social innovation is that many non-profit organisations use business methods (e.g. management techniques and work organisation) from the for-profit sector. This might, or might not, have similar SWB implications as in the for-profit sector. Questions arise as to the extent to which such ‘imported’ methods create stress and other ills in the workplace. Also, what might be the SWB implications of having lower cost structures? Can we be sure that the ends of achieving social innovation justify the means?
A recent OECD report (Teasdale & Buckingham, 2013) highlights that there are negative as well as positive aspects to social economy organizations (SEOs). SEOs encompass co-operatives, mutuals, associations and foundations. They are often seen as contributing to solving the unemployment problem and to foster social inclusion, i.e. they are often assumed to create (only) positive social value by definition. Teasdale & Buckingham note that some authors suggest that work integration initiatives may only prepare individuals for low skill and low wage jobs, and that many jobs in SEOs are unpaid. They try to gain greater understanding of the working conditions within SEOs, especially with respect to vulnerable groups (i.e. the long-term unemployment, people with physical or mental health issues).

Teasdale & Buckingham collect data on organisational features, jobs provided and created, whether the jobs were for vulnerable people, and dimensions of employment quality, obtaining 655 valid responses from 14 territories. Their penultimate chapter reports findings for the employment quality in SEOs as perceived by paid members of staff. They find ‘positive working relationships’ and ‘security of employment’ to be the highest ranked aspects, and ‘career progression opportunities’ seen as least important (ibid., p. 52). They also find that ‘security of employment’ is perceived as one of the most difficult aspects of employment quality to be delivered, and that adequacy of pay was particularly challenging, with many SEOs struggling to bring in sufficient income to pay any wages at all. They further report that:

Many SEOs highlighted work life balance as a difficult aspect of employment quality to deliver … they were trying to reallocate the work life balance from chaotic lives and towards (meaningful) work … economic problems meant that staff were expected to work long (and sometimes anti-social) hours for limited pay. (Teasdale & Buckingham, 2013, p. 59)

In contrast, ‘individual autonomy at work’ was perceived as one of the easiest employment aspects to deliver, although some SEOs struggled with this, especially those employing vulnerable groups needing constant supervision. Teasdale & Buckingham argue their findings seem to tell two distinct stories about SEOs:
Drawing predominantly upon the quantitative data, the story would appear a positive one ... when attention was turned to employment quality in SEOs ... a remarkably different story began to emerge ... the picture ... in many of the SEOs is one of poor working conditions characterised by low pay and job insecurity. (Teasdale & Buckingham, 2013, p. 62/3).

This seems to be due mostly to economic factors, mainly lack of revenue. Teasdale & Buckingham suggest a raft of policy measures and additional funding requirements to improve the situation (p. 64), including subsidies that recognise the social contribution of SEOs (ibid., p. 64), but it is not made clear how that contribution should be measured. Applying the model of the innovation-SWB nexus in this case should be an important step in assessing the positive and negative social value impacts associated with what are usually perceived as very useful social innovations.

Last but not least, empirical research that explicitly links innovation and SWB is also beginning to emerge. There seem to be fewer studies for technological innovations than social innovations, probably because the issue of SWB and technological innovation does not currently feature highly in ‘happiness’ research. This is well illustrated by the two World Happiness Reports published so far (Helliwell et al., 2012, 2013). Both reports supposedly reflect the ‘state of the art’ in happiness research. Both are silent about technological innovation.

Two studies that focus directly on technological innovation and SWB are Dolan et al. (2008) and Dolan and Metcalfe (2012). Dolan et al. (2008) try to find out whether higher SWB is conducive to creativity and whether working in an innovative environment (proxied by work in the R&D sector) is conducive to higher SWB. They find positive correlations between SWB and creativity, and between SWB and work in the R&D sector. Dolan and Metcalfe (2012), using a representative survey of the British population and new primary data, find a strong link between innovation (proxied alternatively by being original and having imagination) and SWB (in the workplace and in life generally). However, further research is required to determine
causation. Other empirical studies focus more specifically on entrepreneurs. They provide conflicting findings on the link between entrepreneurship and SWB.³¹

In contrast, the happiness literature has begun to focus on social innovation. For example, Chapter 6 of the second World Happiness Report, entitled ‘Using well-being as a guide to policy’ (O’Donnell, 2013), highlights the ways that governments are exploring how to incorporate SWB into standard policy making. O’Donnell argues that findings from happiness research suggest a number of key policy implications for some major policy areas. Because the misery caused by (especially long-term) unemployment is well-known, governments should devote more resources to overcoming obstacles to returning people to work. Health budgets should be re-oriented towards mental health, and public spending should be shifted from health care to health prevention. In addition to employment and health, O’Donnell also suggests that transport and education could benefit from a SWB approach to policy.

This does not necessarily imply that social innovation and entrepreneurship will or should be used to implement such changes. However, when O’Donnell goes beyond generalities and discusses actual examples from around the world where SWB analysis has informed policy decisions at the national and sub-national levels, it becomes clear that many of the actions resulting from the policies are examples of social innovation and social entrepreneurship. They include activities inspired by Bhutan’s aim to maximise its Gross National Happiness that have spread to other countries. For example, in Brazil, happiness surveys are “the launching pad to generate a high level of citizen participation in collective discussions and concerted action, by means of both “top-down” official government policy, and “bottom-up” social mobilization” (ibid., p. 102). This has resulted in actions as diverse as cleaning up polluted water-ways, building biodigesters for waste management, and training fencers drawn from favelas. Community level SWB studies in many countries have

³¹ See, e.g., Uhlaner & Thurik (2007) for findings derived from macro-level cross-country data, and Block & Koellinger (2009) and Carree & Verheul (2012) for findings obtained using micro-level data.
emphasized the building of social capital, covering issues like trust, relationships and cohesion. There are also numerous examples where SWB considerations have been used at the individual policy level. They include policies implemented in Singapore’s prison service to improve outcomes for prisoners and society, the focus on well-being when dealing with disasters (e.g. the Aceh tsunami in Indonesia), etc. (ibid.).

CONCLUDING COMMENTS

Recent attempts to explore normative aspects of technological and social innovation seem to be converging, thereby blurring the boundaries and transcending barriers between different silos of innovation research. Features often associated with social innovation, e.g. open innovation, workplace impacts and other aspects of ‘means’ as well as ‘ends’ have also been identified as future challenges by researchers of technological innovation. While technological and social innovation are different, they both can have positive and negative well-being impacts, and they also often morph from one into the other, resembling more of a spectrum, rather than crisp, distinct categories. A theory trying to assess the normative implications of innovation should be broad enough to accommodate these features.

Advances in SWB research and a broader, i.e. Ruskinian, understanding of wealth provide a basis for developing a well-being theory of innovation that applies to all types of innovation. A first step toward such a theory is a general model of the innovation - SWB nexus. It can act as a focussing device that cautions us against simplistic conclusions and alerts us to the many potential feedback effects and positive as well as negative SWB impacts of innovation.

Exploration of the multitude of potential direct and indirect SWB impacts unleashed by innovation is an important step towards capturing the social value creation by both the ‘means and ends’ of innovation. However, it only goes part of the way simply because social value is more than SWB. As noted earlier, a promising way forward would seem to be a combination of the SWB and capability approaches, but this should not prevent us from improving the assessment of SWB impacts of innovation in the meantime.
Currently many policy-makers and analysts seem to resist considering wider definitions of wealth and SWB in the context of innovation. Swann (personal communication, 30 April 2013) mentions that policy makers seem to dislike his model of innovation and (Ruskinian) wealth creation. This might be due to the still prevalent view that something only counts as innovation if it is producer-driven innovation sold in markets. Many policy-makers also still seem to hold the view that innovation is always and everywhere a good thing. I suspect this view also often applies in the context of social innovation. Academics, on the other hand, tend to say it is all rather obvious, and that therefore my general model it is not very original. However, if it is all so obvious, why are SWB impacts rarely taken into account in innovation policy, and why does happiness research ignore technological innovation but not social innovation?

I regard the assessment of SWB impacts as an additional input into the policy-making process when addressing difficult normative issues and trade-offs associated with innovation. The ‘ultimate value’ of innovation, i.e. its social value, will arguably remain a judgement to be made by policy-makers and ‘society at large’. There are unlikely to be any easy answers, but a better knowledge of the multifaceted SWB implications of both ‘means and ends’ of innovation should provide useful additional information to be taken into account when making such judgements.

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(Note: A revised version of the paper, entitled “A general model of the innovation – subjective well-being nexus”, is forthcoming in 2014 in the ‘Journal of Evolutionary Economics’).


development in the New Millennium*. Washington, D.C.


Examining Institutional Arrangements for Economic and Social Innovation.

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ABSTRACT

Social entrepreneurship is acknowledged as a viable way to address entrenched or complex social issues. Institutional structures affect how organizations emerge, and the choices and operational mechanisms which may be adopted. Institutions differ in developing and developed countries, and the institutional environment. SEO emergence needs to be examined within the context of specific environments, but the shaping effects of institutions on nascent social organizations are not well established. Comparing the emergence and operation of nascent social entrepreneurial organizations in strong institutional environments in developed countries with their counterparts in developing countries will improve our understanding of how organizations might emerge successfully in institutional voids.

KEYWORDS

social entrepreneurship, social entrepreneurial organizations, SEO emergence, institutions, institutional voids.

INTRODUCTION

Schramm (2010) asserts that all entrepreneurship is social, attributing the improvement of American lifestyle in the 19th century to the inventions of entrepreneurs who raised the quality of life through the consumer market by offering people cheaper access to food, clothing, and shelter. Some nations benefited from the technological innovations of the 19th and 20th centuries and developed a strong economy; however other nations were not able to attain the same level of development. Friedman (1993) in discussing the technology and telecommunications advancements during the early 90s, suggested companies can “locate anywhere, [and] use resources from anywhere to produce a product that can be sold anywhere” (p. 23). Theoretically, companies could operate anywhere as Friedman supposes, but undoubtedly the lifestyles of citizens in some countries and places in the world...
are not as easy as those living in more developed nations due to their less prosperous economies and less developed political and societal systems.

While social stability and a vibrant economy have been established in some places, others remain undeveloped. Why might this be? Abromovitz (1986) argues that societal characteristics are the reasons some countries fail to reach the productivity levels of other countries. Market economies operate with due regard to their local institutional context of sociocultural, political, economic, and sometimes religious aspects which influence how economies form and markets develop, and so the institutional infrastructure acts as a shaping agent to facilitate and constrain entrepreneurial activity (Van de Ven, 1993). A growing body of literature demonstrates that institutions build new traditions by legitimising, regulating and standardizing technologies and practices in both the public and private sectors (Henriquez, Verheul, Knaap, & Bischoff, 2001; Horwitch & Mulloth, 2010; York & Venkataraman).

Institutions shape commercial firms, but they appear to operate differently when organizations aim to address entrenched disadvantage, that is social entrepreneurial organizations. For example, Desa (2012) finds SEOs mobilize resources with bricolage rather than via the systematic process adopted in commercial environments. Horwitch and Mulloth (2010) describe mechanisms enabling the development of ecological innovation, and Florek (2011) describes the regulatory mechanisms shaping the formation of new organizational types in the UK. These studies examine developed economies, so we might ask if institutional mechanisms operate in the same way to shape social entrepreneurial activities in developing economies, and if not, then how and why might the mechanisms differ? After examining the limited social entrepreneurship literature in relation to institutional influences, this conceptual paper proposes the need for a study to investigate institutional effects on social entrepreneurial organizations.
SOCIAL ENTREPRENEURSHIP

The study of social entrepreneurship (SE) is multi-dimensional and integrates a wide range of subject areas including sociology, business, ethics, finance, planning, development, and psychology (Nicholls, 2006; Lehner & Kansikas, 2011). Yet the overarching role is still widely debated with scholars and practitioners not yet reaching a consensus on a unifying definition on its nature (Austin, Stevenson, & Wei-Skillern, 2006; Douglas, 2010; Mair & Marti, 2006; Nicholls, 2006). Some scholars view “social” and “entrepreneurship” together as reflecting different aspects of SE (Haugh, 2012; Mair & Marti, 2006) whereas others see the two words an obstacle and an incongruous juxtaposition of actions and intentions (Dey and Steyaert, 2012).

While there is no agreement on an exact definition of SE, there is some consensus on its nature. SE is a proactive process of individuals, groups, or organizations which generate innovation through a social mission to address a social, economic, or environmental problem (Dees & Anderson, 2003; Douglas, 2010; Haugh, 2007; Weerawardena & Sullivan Mort, 2006). Social entrepreneurs are change makers who strive to achieve social value rather than private wealth, pursue and exploit opportunities, continually learn and adapt, act boldly without being limited by lack of access to resources, and improve the beneficiaries in communities they are working with (Dees, 2001; Mair & Marti, 2006). Social entrepreneurs are accountable to the community and the people in the places where they work, and to the financial stakeholders involved with their organization (Austin, Stevenson, Wei-Skillern, 2006). Social entrepreneurs do not act alone, but are embedded in a larger system of social and structural relationships (Mair & Marti, 2006; Mandinyenya & Douglas, 2014). Social entrepreneurs look for new ways citizens can respond to social issues, relying on “cooperation, collaboration, and mutual assistance” relevant to the values and conventions present in a society (Fowler, 2000, p. 647). SE uses innovative approaches that are sustainable and provide social value for the people or community they aim to help (Austin, Stevenson, & Wei-Skillern, 2006; Fowler, 2000; Nicholls, 2006; Seelos & Mair, 2005). SE aims to solve a social problem and bring
about social transformation by acting as a catalyst for change in developed
communities or less developed societies (Alvord, 2004; Waddock & Post, 1991).

Social entrepreneurial organizations (SEO s) are organizations that engage in a
process of innovation to advance societal benefit and fill community needs that are
not addressed by government, nonprofit organizations or commercial firms. They
operate as for-profit nonprofit, hybrid, or cooperative organizations, or commercial
firms (Kerlin, 2010; Mair & Schoen, 2007; Mair & Marti, 2006; Peredo, 2003; Spear,
2006; Weerawardena, McDonald, Sullivan Mort, 2009, Zahra, Gedajlovic, Neubaum,
& Shulman, 2009). SEOs are positioned along a spectrum of organizations (Douglas,
2010). Nonprofit welfare organizations that rely on donations and government and
charitable grants and have no commercial focus sit at one end of the spectrum, and
at the other end, commercial companies which operate with no philanthropic or
social responsibility intentions. Neither of these organizational types are SEOs. SE
sit in the space between these two extremes, prioritising the social intention over
commercial activities in entrepreneurial social ventures, or corporate social
responsibility in philanthropic commercial firms (Douglas, 2010). Corporate social
responsibility (CSR) is broadly defined, especially in the US where it includes
corporate citizenship, philanthropy, and social involvement through volunteers, for
example on the Board of nonprofit organizations (NPOs) (Kerlin, 2006; Crisan &
Borza, 2012). While SE is not the same as CSR, CSR could have an important role
in aiding, investing, and working with SE ventures by developing new markets and
potential customers (Seelos and Mair, 2005).

As organizations operating in the market, SEOs rely on institutions to operate and
function well. SEOs exist in developed countries such as US and Europe, and also in
Africa, Latin America, and Asia. Each place has different sociocultural, political and
economic systems and institutions, but what exactly are the effects of institutions on
SEO s and indeed, what are institutions?
INSTITUTIONS

An institution is the discernible behaviour patterns of individuals who are guided by the established and accepted systems of socially constructed roles, conventions, and principles. Scott (2001 p. 49) defines institutions as “multifaceted, durable social structures, made up of symbolic elements, social activities and material resources.” Formal structures and systems, along with informal norms, customs, and procedures define the available modes of action. Shared rules identify categories of social actors, shape their activities, and guide relationships (Barley & Tolbert, 1997). Institutions are the carriers of identities and roles, and are indicative of history and future vision (March & Olsen, 2005). Institutions are resistant to change and transmitted across generations, but institutional arrangements are not predetermined, rather they are modified according to socially interpreted situations. Shaped by institutions, the behaviour and expectations of individuals become ordered and predictable, but the institutional environment is complex, pluralistic, and often divergent. Social arrangements are not simply the result of aggregating individual actions, but rather the synergistic outcome of an appreciation of systemic expectations embedded within institutions.

The institutional environment is the physical site, social setting, cultural arrangements, economic and political circumstances in which the experiences, incidents or matters being examined are located. A society is a compilation of its cultural traditions, social conventions, economic and political institutions. Administrative systems, ideological frameworks, market processes, cultural norms, social rules, and political procedures shape the expectations and actions of citizens, including their ability (or not) to participate. Interactions between organizations and their members are similarly influenced. As a socially constructed activity, the institutional context influences and moulds how people behave, organizations operate, and citizens interact in society. Institutional contexts therefore, are path dependent: history matters because it explains how current situations have been shaped and reshaped by past events into present circumstances.
Kerlin (2006, 2010, 2013, 2009) establishes that localities matter in SE. The political, economic and social history embedded in regions, and the cultural norms, social dynamics and expectations of the people who live in each setting create the nature of SE in each locality. SEOs do not simply exist: they are embedded in societal arrangements: SE does not occur spontaneously, it emerges from a complex societal system embedded in a larger complex system of local, national and global connections among actors (Berkes & Davidson-Hunt, 2007). Social innovation and institutions are close-coupled; each affects the other to shape the future by guiding the behaviour of those who commit to local institutional arrangements. As scholars, we need to examine the complex interplay between societal systems so we might understand the links and connections among actors, and the structural arrangements in which events take place. Structure and agency entwine and merge to produce actions and form the character of SEOs. Behavioural choices are socially constructed within their institutional environments. Actors are affected by, and concurrently producers of change and innovation as SE. The choice to behave as a social change activist is socially constructed within the institutional environment. Appropriate social actions are organised according to norms, functional rules, and values of distinctive institutional subsystems in the political, economic, religious, and kinship sectors in which the actor is situated. Actions are anticipated by observation of complex institutional arrangements. Preferences are constructed from choices made within appreciated arrangements that empower or constrain actions. Thus, we should seek to understand the cross linkages between actors and institutions in different communities, and identify the drivers of change in order to understand how SEOs might emerge, especially in institutional voids.

INSTITUTIONAL VOIDS

Not all places have reliable and predictable institutions. Institutions are well developed in countries with established social and economic infrastructure such as Western Europe, US and UK. In these developed countries, social entrepreneurs have access to technology, human capital, financial markets, business associations, as well as the intermediaries that manage information and potential problems assuring consistency and reliability in protecting assets of individuals and
organizations (Khanna & Palepu, 1999). In the US, SE is carried out within the context of a market economy with emphasis on revenue generation and nonprofit organizations\(^{32}\) (Kerlin, 2010). In Europe, SE emphasizes social benefit, it is classified as an association or cooperative and focuses on human services activities and is carried out within the context of a social economy (Kerlin, 2010). In contrast, there is still much to overcome in order for citizens living in developing countries to move beyond chronic poverty. For example, Rwanda, Nigeria and Ghana have seen some success in their economies, with improvements in the burgeoning Rwandan technology and coffee industries (Terrill, 2012), the film industry in Nigeria which supplies over 1 million jobs (Rice, 2012), yet, many Rwandans suffer from Post Traumatic Stress Disorder following the 1994 genocide, a black market for movies is well established due to Nigeria’s film industry not being protected by the government, and, citizens in Ghana have health problems due to the high mercury levels from mining gold and other minerals. SEOs could address some of these issues, but how can they emerge when the institutional environment is deficient?

Mair and Marti (2006, p. 37) note that institutional voids occur when “absent and/or weak institutional arrangements prevent market participation”. Institutional voids lead to a lack transparency which fuels corruption within the system (Herzog, Munir, and Kattuman 2012). Conflicting and contradicting expectations amongst policy makers, religious leaders, and local people occur in institutional voids (Mair, Marti, & Ventresca, 2012). Institutional voids are a problem in developing countries since they preclude disadvantaged, marginalized people or those living with chronic poverty from readily engaging in market based actions and achieving better economic and social living arrangements. An institutional void does not mean that institutions are absent, indeed, developing countries have rich traditions and institutional arrangements, but not those that support independent market activity unless the individual has an established power base (Brown, de Jong & Lessidrenska, 2009). Without well defined property rights, strong enforcement of legal rights, and civil

\(^{32}\) SE in the US is very broad, it includes corporate philanthropy, nonprofits, foundations, and hybrid organizations, which are social welfare providers which include job training for constituents and revenue generation for sustainability (Battilana, Lee, Walker, & Dorsey, 2012)
rights (Hoskisson, Eden, Lau, & Wright, 2000; Mair, Marti & Ventresca, 2012), countries will lag behind in economic development. Some scholars propose that government needs to have a stronger presence to improve policy to bring change (Whitfield, 2012) or social and economic development (Bayliss, 2004; Neocosmos, 2007). While this may apply in developed countries where institutional arrangements are well established, what happens if the government is corrupt at the national and local level, or if government policies that already exist are not honoured? How do social entrepreneurs as a special kind of change agent “advance, or undermine institutional practices, logics, and structures” to bring about positive change (Dorado, 2013, p. 533)? Is it a collective process or individual effort? SEOs operate in a situation of constrained optimization in which the external environment is proposed as a shaping agent (Weerawardena & Sullivan Mort, 2006), but what is the role of external systems and mechanism in facilitating or hindering the process or SEO emergence?

SEO EMERGENCE

As a process of social innovation, SE is a dynamic and interactive carrier of ideas into public consciousness. ‘In the long run, ideas are more powerful than individuals or institutions...[and] social change depends on many people being persuaded to abandon old habits’ (Mulgan, 2006a). Innovation requires a base for change, and SEOs provide a site in which ideas can be tested, shaped, and reshaped into actions. Agency and creativity are embedded in SE and can be influential in organizational strategy as a mechanism of social innovation to shape institutional environment and fill institutional voids (Carney, Gedajlovic, & Yang, 2009). Although entrepreneurship research illuminates the startup of commercial firms, little is known about the startup of SE ventures as the foundational pedestal that might secure social innovation activities.

In an Israeli study, Sharir and Lerner (2006) suggest the foundations for successful startup are founder characteristics and their interactions with the external environment. They ranked eight reasons for nascent SEO success, yet some
aspects of their study are unclear. In particular, Sharir and Lerner do not report how they identified the eight elements, nor do they elaborate on the reasons each element is important. For example, it seems counter intuitive that social networks might be more important than public acceptance of the venture mission. Haugh (2007) examined SEO startup in Scotland and found it was a distinctly different process from commercial firms. SEO startup relied on uncertain resources such as volunteers, and took longer, and the mission, target market, source of capital, entrepreneurial activities, HR, governance, and accountability were different. Haugh noted that SEO startup was more complicated and involved more stakeholders. The early pre-venture activities of SEOs were embeddedness in local social networks with the nascent SEO interacting with, and actively managing the relationships with their networks. The relationships between the nascent SEO and their networks were formal and tailor made to gain support, skills sets, and artefacts at different startup stages. Could these relate to the different institutional frameworks operating for nascent SEOs compared with commercial firms? Scholars have identified the importance in reviewing SEOs within their environment, but there is little information about the impact of socio-cultural factors and environment in generating social enterprise (Urbano, Toledano, & Soriano, 2010, p. 55).

We propose that SEO emergence needs to be examined specifically within the context of its particular environment, in relation to the sociocultural, political, or institutional dynamics that provide the impetus for social entrepreneurs to launch organizations. What resources and strategies are necessary to facilitate change processes to mobilize and empower people, especially in developing countries? SEOs launch to solve local problems using community as an avenue to achieve change (Haugh, 2007). We might ask what are the effects of the institutional environment on SEO emergence? Only a few studies have investigated the birth or death of SEOs, and few of these have considered the institutional arrangements that facilitate or hinder the emergence of SEOs (Hare, Jones, & Blackledge, 2007). Gender is also likely to be an important shaping mechanism for nascent SEOs in developing countries (Estapé-Dubreuil & Torreguitart-Mirada, 2010). Wilson (2012) maintains the state has an important role to provide supportive systems and appropriate regulation to support the development of SEOs. The role of the state
appears to be different in a controlled economy such as Hong Kong (Ngan, 2011) or in an emerging economy such as India (Pastakia, 1998) or South Africa (Nel & McQuaid, 2002), yet these institutional effects are not well explored in existing descriptive case studies. Thus, it would be beneficial to demonstrate the importance of the environment, socio-cultural context, political structure, as well as individual and collective efforts in influencing how and why SEOs launch to become viable entities. Examining the role and effects of institutional, sociocultural, political, and economic mechanisms as well as the success of organizations that develop new enterprises under precarious institutional arrangements in developing countries could demonstrate the particular strategies used by institutional entrepreneurs and social innovators to facilitate change and empower people.

**RESEARCH INTENTION**

The need for theoretical development in SE is well established (Chalupníček, 2008; Santos, 2012; Shaw & Carter, 2007; Stryjan, 2006). Past research has examined the individual characteristics of social entrepreneurs (Dees, 2001), and the operating processes especially resource acquisition (Desa, 2012; Meyskens, Robb-Post, Stamp, Carsrud, & Reynolds, 2010) but SE scholars have rarely offered “new theories to explain and predict the emergence and activities of social entrepreneurs” (Haugh, 2012: 3). Furthermore, there have been many descriptions of how successful and well established SEOs were launched, for example the Grameen Bank (Jain, 1996), SEKEM (Seelos & Mair, 2005), and BRAC (Rashid, 2010). Paredo (2003) writes “it would be marvellous if one were able to construct a development model adaptable and effective for all cultures, circumstances and conditions. This has been attempted, but unfortunately success has proven elusive. Nevertheless, it may be feasible to formulate propositions...[that] may be applicable in other settings” (p.11). It would seem unlikely that one single theory would apply to all SEOs operating in various situations in different institutional circumstances, and indeed, Haugh (2012) maintains there are limited overarching theories that can be adopted to different populations or countries (Haugh, 2012).

We purpose to study how socio-cultural environments affect the launch and operation of nascent SEOs. Nascent SEOs in developed and developing nations will
be compared in relation to the technology, human capital and political, cultural, and economic institutional infrastructures. Though social entrepreneurs in developed nations face difficulties (Hines, 2005) in establishing viable organizations, they have access to strong property, civil and legal rights which their counterparts in developing nations lack (Estrin, et al., 2013; Wu, 2013). Katz and Gartner (1988) suggest that understanding the early stages of organizational emergence may help to prevent organizational failure. Their emerging organizational framework (intentionality, resources, boundary, and exchange) provides a foundation in which to uncover details of how founders start their journey to establish a SEO. The aim is to uncover the effects of institutions and the characteristics that enable and propel SEOs to launch and become viable enterprises. Thus, the main question guiding this research is: “How do SEOs start within an institutional void and is this similar to or different from SEOs emerging in developed nations?”

**IMPLICATIONS**

This study will contribute to the growing body of SE empirical evidence and theoretical development. SEOs operate in both developed and developing countries, but institutional environments differ dramatically in these two contexts. Comparing how nascent SEOs operate in disparate institutional settings will provide valuable insight into the effects of different institutional characteristics on the ability of new organizations to launch and become viable enterprises. In particular, understanding the effects of institutional environments will greatly increase opportunities for new SEOs to launch successfully and generate more viable economic activity in less developed nations where the need for viable social entrepreneurial activity is the greatest. These new understandings also will provide valuable insights for the development of appropriate aid policies to create a stronger market economy and improve citizen lifestyles.
CONCLUSION

Social entrepreneurship is still a growing field and has many areas that are open to be explored. Social entrepreneurs in developed nations struggle to launch successful organizations for example in seeking resources through market based funding, government aid, philanthropic donations or membership fees, yet they have access to institutions and resources not available in developing nations which operate within institutional voids. Some spectacularly successful SEOs have emerged in developing countries such as Grameen Bank, SEKEM, and BRAC, indicating that success on a large scale is possible, but the underlying mechanisms that have enabled these organizations to launch successfully are not well examined. We maintain that both developing and developed nations can learn from each other, and understand how the development of nascent SEOs might be facilitated so that the organizations can be solve local problems and achieve change. This study does not aim to find one single theory to apply to all SEOs, but rather to examine the importance of the environment, socio-cultural context, political structure, as well as individual and collective efforts in influencing how and why SEOs launch and become viable enterprises.

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Hybrid innovation: Extending Social Innovation?

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ABSTRACT

This conceptual study introduces the concept of hybrid innovation to provide a holistic understanding of social innovation. Hybrid or dual-purpose innovations are new, commercially viable products/processes that target society’s ‘wicked problems’. Social innovation, the practice of individuals, partnerships and community groups working together in innovative ways to devise and implement resourceful solutions to complex social problems, is often conceptualised as innovation within the non-profit sector. However, research shows that the boundaries of social innovation are not fixed and social innovation occurs within all sectors and intersects across sectors. Hybrid innovation extends the mainstream perspective of social innovation in recognition of its diversity and range.

KEYWORDS

Social innovation, hybrid innovation, holistic, scaling, impact, collaboration

INTRODUCTION

“The term social innovation faces “two potential crises of definition” with interpretive challenges in relation to both terms ‘social’ and ‘innovation’ (Nicholls & Murdock, 2012). For the purpose of this paper, we consider social innovation to be the practice of individuals, partnerships and community groups working together in innovative ways to devise and implement resourceful solutions to complex social problems (Philis, Deiglmeier, & Miller, 2008; Pol & Ville, 2009; Pulford, 2010).

Social innovation is multifaceted and a vital aspect of a new innovation paradigm (FORA, 2009). Although social innovation is traditionally conceptualised as
innovation within the non-profit sector, more recently scholarly understanding recognises that social innovation can occur in the non-profit sector, the private or public sectors and intersect across sectors (Murray, Caulier-Grice, & Mulgan, 2010; Philis et al., 2008). The boundaries of social innovation are not fixed.

Although clear understanding of the scope and boundaries of social innovation is embryonic, scholarly enquiries into social innovation are growing (Howaldt & Schwarz, 2010; Mulgan, 2012b). The call for recognition of a new ‘post-industrial innovation paradigm’ that includes social innovation as an integral facet, is gaining momentum (Howaldt & Schwarz, 2010). “In such a new paradigm, social innovations as well as technological and economic innovations could be integratively comprehended as components of social change in a ‘holistic’ interpretation of innovation” (Hochgerner, 2009, p. 40). Our paper aims to do this.

We put forth a concept of ‘hybrid innovation’ to argue that innovation targeted at solving social problems and commercially driven science and technology innovation need not be mutually exclusive. Hybrid or dual-purpose innovations are new, commercially viable products/processes created to target social problems and needs. They create economic as well as social value. Increasingly hybrid innovations develop through multiple stakeholder involvement including user community collaboration.

Porter and Kramer (2011) argue that economic and social benefits are not polar opposites; instead future global growth is dependent on ‘shared value' creation, i.e., creating economic value though creating social value. They argue that future markets will be defined by social needs. Nicholls and Murdock (2012) predict technological innovations will become a sub-set of innovations targeting social issues. Theoretically hybrid innovations link economic and social value creation and embrace community interaction.

A holistic understanding of social innovation captures hybrid innovation as well as other forms of social innovation such as partnership driven initiatives targeting context-embedded problems at a local or regional level. Definitional reconciliation of the ambiguity of social innovation necessitates fit with a holistic perspective of innovation.
Following this introduction, we discuss our understanding of essence of social innovation as well as the relationship between social innovation, scalability and multi-sector collaboration. We then propose the need for a holistic perspective of social innovation, which accounts for the critical role that science, and technological innovation can play in providing solutions to social problems. Here we elucidate our concept of hybrid innovation. Following that, we provide an illustration of an organisation classified as a hybrid innovator. The conclusion draws the threads together.

BACKGROUND

Underpinning Definition of Social Innovation

An absence of definitional consensus is not unexpected given that social innovation is both an emerging field of study and is multidimensional and complex. There is a plethora of perspectives that seek to encapsulate the essence of social innovation. However typically, explicit or intrinsic in many definitions, is that social innovation aims to answer social problems and needs in new ways. For example Howaldt and Schwartz (2010, p. 21) claim,

“A social innovation is a new combination and/or new configuration of social practices in certain areas of action or social contexts prompted by certain actors or constellations of actors in an intentional targeted manner with the goal of better satisfying or answering needs and problems than is possible on the basis of established practices.”

There is an explicit social problem-solution focus in the definition of Phills et al. (2008, p. 36) who describe social innovation as

“A novel solution to a social problem that is 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.”

Similarly, the working definition of the LEED Forum on Social Innovations (OECD, 2000) emphasises that social innovation seeks new answers to social problems.

In the extant literature, social innovation definitions often link to process and outcome. Whereas Sharra and Nyssens (2010) observe that definitions fall into two complementary camps, with emphasis on either process or outcome, increasingly
process and outcome are being combined in definitional offerings. For example, Nicholls and Murdock (2012, p. 7) neatly combine social process-outcome with different levels of analysis – micro, mezzo and macro, to illustrate the dimensions of social innovation. Process and outcome may, however, be re-phrased in terms of a problem-solution matrix. Hence, the means of dealing with social problems or needs is the process, while the outcome is the solution.

A social problem-solution underpinning lies at the core of socially innovative action and result. It has potential for reconciling varied forms of social innovation. Empirically too a problem-solution perspective is viable (Svensson & Bengtsson, 2010). We therefore adopt a problem-solution approach, which also encompasses the ‘tackling social needs’ perspective, as the foundation for articulating our understanding of social innovation.

**Scalability-Impact and Multilevel**

In the literature, it is also not uncommon for definitional perspectives, to either explicitly or implicitly take a stance on the scale and impact of social innovations. Westley and Antadze (2010, p. 15) classify social innovation as “processes, products, and initiatives which profoundly challenge the system that created the problem that they seek to address” and thus associate social innovation with institutional and systemic change. By contrast, their complex systems view of social innovation regards responses “to locally perceived problems or social needs” as social “inventions” that become social innovations only rarely when these locally embedded solutions are scaled up to have a broader and lasting impact (Westley & Antadze, 2010, p.2). Conversely, Nicholls and Murdock (2012) are more inclusive in their approach and see social innovation occurring at multiple levels based on whether the innovative solution is focused towards addressing market failures (incremental), reconfiguring market structures (institutional) or altering social systems (disruptive).

The need for and ways to ‘scale up’ social innovations with potential for transformative social change, is a topic of increasing interest in the literature as well

However, the magnitude and extent of scaling and impact issue from an overarching perspective of particular solutions per se, has received little attention. To illustrate this point, we provide the example of biofuels. Conceptually biofuels represent an alternative clean energy solution. However, it is the scale of biofuel crops necessary to make a meaningful impact on the mitigation of greenhouse gases that creates additional social problems. “Food-based biofuels, the so-called first-generation biofuels, can only ever provide a fraction of the fuel required to meet demand and is clearly detrimental to the need to complement the world’s food demands” (Inderwildi & King, 2009, p. 344). According to the United States Department of Energy Status Report (2006), a transfer of 100% of the county’s maize grain production to the production of ethanol would only supply 15% of the country’s transport fuel needs. Thus, the negative externalities that arise from scaling biofuel crops constrict their impact as a viable solution to global energy problems.

Despite the importance of scale in cases such as biofuels, we stress that small-scale innovation is also important. On this score we concur with Phills et al. (2008, p. 38):

> “Some definitions exclude minor or small innovations from consideration, whereas others distinguish between incremental and radical innovations. We do not specify the magnitude of the improvement as part of our definition. Our view is that such judgments are highly subjective and that it is better to treat magnitude as falling within a continuous range of values.”

In fact, we recognise and convey the important role social innovations play in creating solutions to specific localised problems despite remaining less scalable to other contexts. In fact, localised social innovations that can have lessons for scalability to other contexts, as illustrated by small scale local associations that have the potential to shape and facilitate community based climate change adaptations in developing countries (Rodima-Taylor, 2012).

The essence of a problem-solution approach to social innovation revolves around the potential impact of the solution or its ability to be scaled from a local to a global level. Turning the lens on the scalability and impact of the solution also enables a better grasp of the processes that underlie the dynamics of social innovation. We
propose that social innovation can occur at the local level but that the scaling of solutions is fundamental to transformative social change. The nature of solutions to problems lies at the core of the social innovations. Scaling of solutions creates the momentum between incremental product-focused or local needs focused collaborative social innovations, and systems-focused disruptive social innovation.

**Multi-Sector Collaboration**

Social innovation blurs the boundaries between the public sector, the private sector, and civil society and often emerges at the intersection of sectors (Phills et al. 2008, Nicholls & Murdock, 2012). BEPA (2011, p.34l) stress that social innovation “is about developing innovative solutions and new forms of organisation and interactions to tackle social issues”. Thus, collaboration is an underlying ethic of social innovation. Social innovation can therefore address social needs not only through new ideas but also through creation of new collaborations, which benefit society by enhancing the ‘capacity to act’ (Mulgan, 2012a, p. 22)

However, the concept of blurring sector boundaries encapsulates more than just new forms of collaboration. The process of developing social innovation, like other forms of innovation, is not linear but rather an interactive process. In social innovation, this adaptive process may involve fluid interplay between the sectors. Mulgan et al. (2007, p.27) describe this process in terms of the Young Foundation:

“Many of the innovations associated with the Young Foundation ended up in a different sector from where they had started: not for profit ideas ended up as for-profit firms; public agencies ended up as charities, charities ended up as government agencies. These provide strong arguments against any support for innovation that is too prescriptive too early about the best organisational form of a new idea.”

Indeed, Mulgan (2012a, p.22) argues that social innovation, “…does not of itself imply any view as to whether particular functions or services are best provided by public, private or non-profit organisations”. Kania and Kramer (2011) contend that solutions to complex social problems originate at the nexus of public and private
activities and thus can only be solved by cross-sector collaborations including these very organisations.

An additional factor influencing the multi-sector collaborative nature of social innovation is the growing opportunities for private organisations to see global challenges as opportunities driving innovation. According to the New Nature of Innovation report, “The private/public demarcation line is becoming increasingly blurred and is being challenged by a myriad of companies, in particular leading global companies. They find new business opportunities by designing solutions to problems caused by mankind’s behaviour” (FORA, 2009, p.11). The importance of multi-sector collaboration in creating social innovation further supports our inclusion of hybrid innovation in a holistic understanding of social innovation.

HYBRID INNOVATION

‘Hybrid’ terminology in related literature has hitherto been commonly associated with a blending of goals. Thus in social entrepreneurship literature, ‘hybrid ventures’ are those that pursue both economic and social goals (cf. Neck, Brush, & Allen, 2009). The notion of hybrid innovation we put forward is very distinct from such a specification and is not meant to denote innovation of social enterprises. The term ‘hybrid innovations’ has also been used to describe social welfare innovation associated with a sector mix. Nicholls & Murdock (2012, p. 10) draw attention to this: “Between the private and public sector ideal types are hybrid innovations such as the public-private partnerships mentioned above that provide new models of welfare provisions outside of, but often in tandem with, the state (citing, Bovaird, 2006; Osborne, 2010).” Our specification is different from these notions of hybridity.

Our notion of hybrid innovation is designed to explain why innovation targeted at solving social problems and commercially driven science and technology innovation need not be mutually exclusive. Kanter (1999, p. 123) drew attention to ‘corporate social innovation’ where “(T)ackling social sector problems forces companies to stretch their capabilities to produce innovations that have business as well as community payoffs.” Our hybrid innovating businesses too are targeting solutions to
social problems even if they do not have an explicit social mission and are predominantly profit oriented. A convergence in the outcome of commercially driven innovation with that of other forms of social innovation lies at the core of hybrid innovation. Embracing the hybrid innovation concept broadens the scope of social innovation. For us hybrid innovations create economic value but also social value by providing solutions to social problems. This resonates with concept of creating ‘shared value’ of Porter and Kramer (2011). They argue that society can no long consider social and economic goals as polar opposites. Future global growth is dependent on creating economic value though creating social value by addressing societal needs and challenges and not merely focusing on profit.

In innovation studies literature, the term ‘hybrid innovation’ is most commonly associated with innovation developing at the nexus of commercially oriented firms and user communities (Harhoff & Mayrhofer, 2007). Users play an increasingly important role in developing innovations (von Hippel, 2005) and include both public and private stakeholders. Our view of hybrid innovation does not exclude such interaction but simply adds the caveat that it should be working toward innovation that constitutes a solution to a social problem.

The moot question however is – must all business innovations that address a social problem be classified as a social innovation? Take the case of a patented innovation by a private sector firm of a high priced drug for cure of a widespread illness. Being unaffordable for most, this innovation will have little impact on eradicating the disease. Do we include this innovation as a social innovation? In answering this question, we make a normative judgment in light of not wanting to broaden the notion of social innovation so much as it becomes meaningless. Although a problem-solution, holistic understanding of social innovation is intended to reflect the contemporary landscape of innovation, we do not want the concept of social innovation to be so flexible that it loses its usefulness and runs the risk of including everything (Pol & Ville, 2009). Hence the judgment call we make is to overlay our specification of hybrid innovation with a consideration of scalability of the solution and potential impact on a ‘big’ or ‘wicked’ social problem. Mulgan, et al. (2007, p.45) discusses this link between scale, impact and commercial entities,
“However, whilst social innovation certainly occurs through social enterprise and social entrepreneurship it also happens in many other contexts. Conversely, although social entrepreneurship often involves innovation, only a small minority of social entrepreneurs create new models that can then be scaled up, and that process of scaling up often involves governments and larger businesses.”

We consider the potential of innovation for mitigating a social problem on an impactful scale, as a rationale for inclusion of commercially driven innovation within social innovation. Inserting an ‘of significant scale/impact’ stipulation for hybrid innovation, we believe deals with the issue of ‘anything goes’ and possible allegations that all innovation might be classified as social innovation.

Therefore, the conceptualisation of hybrid innovation extends the mainstream perspective of social innovation, to encompass science and technology innovations that are predominantly profit driven but can have an enormous impact on solving specific social problems of global significance.

HYBRID INNOVATION ILLUSTRATION

LanzaTech Ltd, a New Zealand clean energy company with operations in the US, China and India. LanzaTech is creating solutions to global problems, which require a reconfiguration of existing market structures, i.e., institutional social innovation, to tackle energy and climate change challenges.

Globally the need to reduce greenhouse emissions and reduce dependency of petroleum is of paramount concern. Demand for petroleum is expected to double in the next 40 years. According to the International Energy Agency (IEA) the world is not on track to reduce global greenhouse emissions and in face, carbon-dioxide (CO₂) levels increased by 1.4% in 2012, a historic high (IEA, 2013). Governments worldwide are addressing this problem through regulations to increase energy efficiency and reduce carbon dioxide emissions. For example, in China the government has pledged US$380 billion towards reducing carbon emissions and increasing clean energy between 2010 and 2015 (Bloomberg, 2013a) Although these efforts have reduced the growth or CO₂ emissions, China was still the single largest contributor towards CO₂ emissions in 2012 (IEA, 2013). In January 2013
China recorded record pollution levels measuring almost 40 times higher than the World Health Organization guidelines (Bloomberg, 2013b). Social unrest in China over poor air conditions is now a major concern for the government, as is maintaining economic growth whilst reducing changing the energy consumption patterns. The European Union (EU) faces a similar problem. The EU’s 2008 ‘climate and energy package” mandates a 20% increase in energy efficiency by 2020 accompanied by a 20% reduction in CO2 emissions based on 1990 figures (da Graça Carvalho, Bonifacio, & Dechamps, 2011). According to da Garça Carvalho et al. (2011), success in adhering to these mandates can only be achieved through a reorganisation of society within the 27 EU member states in order to adopt a unified ‘social vision’. These authors contend the first challenge is for actors within the various sectors to view the low carbon challenge as an opportunity rather than a constraint.

Named in 2012 by the World Economic Forum as a potential ‘technology game-changer’, LanzaTech has developed a unique technology that uses a microbe to convert poisonous gas (rich in CO and CO$_2$) into components to produce other fuels and platform chemicals. LanzaTech’s vision is “…to meet the world’s growing energy needs, enabling sustainable industrial growth while at the same time ensuring that all people across all global economies have equal access to clean energy” (www.lanzatech.com).

However, to fulfil this vision, LanzaTech needs to change the perception of ‘value’ by the actors in each sector. Often this means presenting the solution in a way that creates value for the various sectors. In the case of steel production in China, LanzaTech collaborates with steel manufactures and demonstrates how waste gas can be converted to valuable energy resources. This in turn supports government and civil society efforts to reduce harmful CO$_2$. LanzaTech is not just targeting the steel industry. Rather they are attempting to change the way organisations think about energy and waste. Currently LanzaTech collaborates with actors from public, private and civil society sectors relating to the biofuel, aviation and forestry industries as well as manufactures of plastics, nylon and of course steel. Innovations like the LanzaTech process result in new, commercially viable products that simultaneously target social problems and needs. The outcome of their innovation is a solution to
the social problems created by a lack of environmental sustainability. The essence of hybrid innovation therefore is convergence in the outcome of commercially driven innovation with that of other forms of social innovation, but with the solution having the ability to reach sufficient scale for considerable impact on the problem.

CONCLUDING COMMENTS

This conceptual paper argues for a holistic understanding of social innovation which draws from a problem-solution underpinning. Our novel notion of hybrid innovation delineated in this paper is designed to extend the mainstream perspective of social innovation to provide a more holistic view of social innovation; one that is cognizant of the contemporary innovation landscape. Hybrid innovators are therefore dual-purpose innovators in that they are predominantly profit driven but simultaneously provide a solution for mitigating a wicked social problem on an impactful scale.

However, little is known about how hybrid innovations develop, how collaborations emerge, grow and succeed, or how connectivity between diverse communities transforms societal value creating ideas into commercially viable hybrid innovations. Future research is needed. The paper takes a first step towards extending the understanding of social innovation and calls for future research to explore the how hybrid innovations create both social and economic value.

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The Australian Experience of Microcredit.

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ABSTRACT

Financial exclusion and the provision of timely assistance to people without access to mainstream lending is a concern in New Zealand. The report evaluates the success of microcredit schemes in Australia, including the low and no interest loan schemes offered by Good Shepherd. It then considers the options for a microcredit scheme in New Zealand, as an effective, scalable way of reducing the impact of third-tier lenders.
Mission Drift in Microfinance and Provision of Start-up Funding: A Global Analysis

ABSTRACT

We examine the lending behavior of microfinance institutions towards business start-ups. Our results suggest that it is the not-for-profit lenders that provide more start-up funding compared to their for-profit counterparts. This finding is consistent with the prediction of the ecology of organizations. We correct for any potential endogeneity problem in our estimation by using a propensity score matching approach, which provides us with confidence that the suggested association is not a mere correlation. Our results indicate that in the face of increasing commercialization, microfinance may fail to deliver on its promise of entrepreneurial development at the bottom of the income-pyramid.

KEYWORDS

Microcredit, Mission drift, start-up, profit orientation, organizational ecology

INTRODUCTION

Asymmetric information and enforcement problems have historically restrained traditional financial institutions from extending credit to small enterprises in the context of developing economies (Hoff & Stiglitz, 1990; Prahlad, 2005), despite the fact that these firms are the source of employment for over half the labor force (De Mel, McKenzie & Woodruff, 2008). In the absence of conventional bank financing, microfinance has emerged as a promising way of providing financial capital to
Microfinance, was initially popularized by the Grameen Bank of Bangladesh, which Mohammad Yunus established with the support of the government and donor agencies in order to alleviate poverty through the development of entrepreneurship. The not-for-profit, social business model of Grameen Bank was based on the allocative view of entrepreneurship, which relies on a crucial assumption that every poor individual possesses an entrepreneurial skill. Yunus calls it the “survival skill” of the poor, and emphasizes that being endowed with such skills, all that poor people need is the access to financial capital to kick-start an income generating activity (i.e., a small business) to break down the vicious cycle of poverty (Yunus, 1999). In the early days of microfinance, the social business model of Grameen Bank attracted significant attention and was replicated in many economies across the world. However, starting in the late 1980s, policymakers such as the World Bank started to argue that in the process of poverty alleviation, microfinance institutions should consider moving to a for-profit model in order to cover costs (Robinson, 2001). This was based on a belief that financial institutions across the world could not achieve financial self-sufficiency because of their heavy reliance on subsidies, and therefore

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33 Examples of some prominent microcredit programs include Grameen Bank (Bangladesh), Association for Social Advancement (ASA, Bangladesh), Bangladesh Rural Advancement Committee (BRAC), Bancosol (Bolivia), and Bank Rakyat Indonesia.

34 After the Second World War, the governments of newly independent countries took initiatives to provide cheap credit to small entrepreneurs, with the support of donor agencies. Large state-owned banks were held responsible for extending credit to the poor, and heavy subsidies were allocated to these banks to undertake the risks that the private-sector commercial banks were reluctant to bear. But unfortunately, the initial expectations that state-owned banks would provide poor entrepreneurs with easy access to credit have proved to be
MFIs should reduce their dependence on subsidies and attract commercial funds. This led to a growing number of not-for-profit MFIs converting into for-profit status. The huge unmet demand for microcredit has also inspired a growing number of MFIs to seek funds from commercial sources in order to ensure rapid growth. A famous example of this is the issuance of public offerings (IPO) by the Mexican MFI—Banco Compartamos—in April 2007 (Cull, Demirguc-Kunt & Morduch, 2009).

In addition, over the last decade a significant number of profit-oriented commercial banks have recognized the growth potential that microlending provides for their business, and have entered the industry directly or through intermediaries (Bruton, Khavul & Chavez, 2013). As a result of these events, the visibility of for-profit lenders has substantially increased in the microfinance industry. Prior studies suggest that the increased commercialization of microfinance has changed the lending behavior of MFIs (Hermes, Lensink & Meesters, 2011). For example, there is growing evidence that it has caused a mission drift in microfinance in that a growing number of MFIs have abandoned their social objective of serving poor clients, moving up-market to serve relatively well-off clients (Khavul, Chavez & Bruton, 2013; Mersland & Strøm, 2010; Cull et al. 2009; and Aubert, de Janvry & Sadoulet, 2009).

In the present study, we argue that in addition to serving relatively well-off clients the mission drift of MFIs can also been witnessed in a reduction of lending to start-ups. More specifically, we propose that for-profit MFIs will be less likely to provide funds to start-ups than not-for-profit MFIs. In line with the tenets of the organizational ecology literature, namely that start-ups are less likely to survive than the established firms, we propose that they will be considered a high-risk lending proposition by both for-profit and not-for-profit MFIs. However, given not-for-profit MFIs are primarily motivated by their social objective of poverty alleviation, they might have a relatively unfounded, as these banks largely failed to cover the costs of lending by ensuring a sufficiently high repayment rate. For a detailed discussion, see Huppi and Feder (1990); and Hoff and Stiglitz (1990).

35 For example, Swibel (2008) reports that as of 2008, almost 3 billion people across the world were eligible for microcredit, but only 10 percent of them received loans from the MFIs.
more favorable attitude towards the start-ups, even if lending to them is more risky than for more established firms. For-profit MFIs, on the other hand, have a stronger incentive to maximize profit, and therefore, minimize the credit risks by limiting the proportion of start-up loans in their portfolio.

In examining these issues the proportion of start-up funding is measured as the proportion of clients of an MFI which have started a new business in a given year. We utilize information on 198 MFIs from 65 countries from the Microfinance Information Exchange (MIX Market: www.mixmarket.org). In our analysis we control for the effects of the institutional environment in which each MFI operates, using information from the World Bank. In addition to conducted analysis using the Ordinary Least Squares method, we also use a Tobit regression (Tobin, 1956) as a robustness check, given many MFIs in our sample did not extend any loans to the nascent entrepreneurs in a given year.. Finally, in order to address any potential endogeneity problem, we use a propensity score matching approach as a further robustness check.

The paper proceeds as follows. In the following section we describe the background literature, and develop a testable hypothesis. Following this we discuss our data, describe the empirical model and report our results. The potential sources of endogeneity problem and the PSM estimation method are then discussed. The final section concludes with the limitations of the present study and suggestions for future research.

LITERATURE REVIEW

Access to Financial Capital in the Start-Up Stage: The Liability of Newness

The resource-based theory of the firm posits that access to vital resources is central to the success of any business (Barney, 1991). Barney, in particular, suggests that the resources controlled by a firm can be categorized into three major groups: physical, human, and organizational capital resources. While physical capital resources include the firm’s plant and equipment, its geographical location, and
access to raw materials; human capital resources refer to the skills, knowledge and training of the firm’s employees; and organizational capital resources include the firm’s formal and informal relations with other firms in its environment that influences access to critical external resources, such as financial capital.

The importance of securing financial capital from external sources has been discussed in the economics (Holtz-Eakin, Joulfaian & Rosen, 1994; Demirguc-Kunt, Beck, and Honohan, 2008; Karlan & Morduch, 2009), and entrepreneurship literatures (Bates, 1995; Cooper, Dunkelburg & Woo, 1995). For example, this stream of research has shown that financial capital plays a pivotal role in the process of innovation, production and marketing. Access to financial capital also provides a signal to the potential customers and suppliers that a firm is financially viable. Getting access to financial capital, however, has always been a challenging task for entrepreneurs, as a result of credit rationing by banks regardless of the economic setting (Stiglitz & Wise, 1981). A further stream of research demonstrates that securing start-up funding is particularly challenging (Cassar, 2004; and Carter, Gartner & Reynolds, 1996). Empirical work has established that the availability of bank loans strictly increases with the age of a firm (Cole, Goldberg & White, 2004), and that compared to the established firms, start-ups feel more discouraged to apply for a bank loan as they are afraid that their loan applications will be rejected (Blanchflower, Levine & Zimmerman, 2003; Cavalluzzo, Cavalluzzo & Wolken, 2002).

But why are banks reluctant to extend financial capital to start-ups compared to established firms? In a seminal paper, Stinchcombe (1965) argued that young organizations have a higher propensity to die than old organizations. This possibility, popularly known as the liability of newness in the organizational ecology literature, arises from both internal and external factors. For example, early organizational ecologists, such as Hannan and Freeman (1984), argued that as an organization ages, it develops a high level of structural inertia, which restrains it from unnecessary risk taking and experimentation, and leads it to persist in using the same successful courses of action. As a result, the propensity of survival of an organization increases with age. Furthermore, as an organization grows older, it develops strong exchange
relationships with other organizations in its environment, which increases its external legitimacy (Singh, Tucker & House, 1986; and Kostova & Zaheer, 1999). Thus, an implication of the liability of newness is that since the start-ups are less likely to survive and succeed compared to the established firms, they have a limited access to external resources such as bank loans.

Similar arguments are found in modern banking and finance theories. For example, Diamond (1991) and Boot and Thakor (1994) suggest that established firms often enjoy a better reputation in the credit market than start-ups. Since reputation is a valuable asset that can be used as a certification measure in the milieu of information asymmetry, firms with a good reputation in the credit market have clear incentives to protect it. Thus, established firms show a greater prudence in their investment decisions, which reduces the moral hazard problem and the associated credit risks faced by the banks. As a result, compared to new businesses, borrowers with established banking relationships are more likely to be approved for both small business credit (Petersen & Rajan, 1994; Berger & Udell, 1995), and corporate loans (Bharath, Dahyia, Saunders & Srinivasan, 2011).

**Access to Financial Capital at the Bottom of the Pyramid: The Role of Microfinance**

While accessing financial capital is challenging for any business, it is significantly more difficult for resource poor entrepreneurs in developing countries. Although, financial institutions might be expected to prefer resource-poor entrepreneurs as their clients as they should be able to charge higher interest rates to them than capital-rich firms, evidence suggests that two main factors have restrained them from extending credit to entrepreneurs at the bottom of the pyramid: namely asymmetric information and enforcement problems (Armendariz de Aghion & Morduch, 2010). Information problems arise in three stages. First, in the loan approval stage, lenders face difficulties in observing the characteristics and riskiness of a borrower's project (i.e., there is an adverse selection problem). Second, in the loan utilization stage, lenders cannot observe the effort delivered by the borrower in her project (i.e., there is an ex-ante moral hazard problem). Third, there might be an ex-post moral hazard
problem in that once a project matures, a borrower might falsely claim a loss and default intentionally. In addition, lenders in rural credit markets face difficulties in contract enforcement because an appropriate legal mechanism to induce repayment is often absent in these countries. The use of credit scores and collateral, a common solution to address information asymmetry and enforcement problems in credit markets, is constrained in such markets, as poor borrowers lack pledgeable assets and formal certification measures to prove their eligibility (Hasan, 2002).

In recent times, however, microfinance institutions (MFI) have shown that credit can successfully be extended to the poor entrepreneurs, without pledgeable assets and/or verifiable credit history, while ensuring high repayment rates. This indicates that the MFIs have largely been successful in mitigating the information and enforcement problems described above. Prior research attributes this success of microfinance to the behavior inducing mechanisms—such as joint liability and dynamic repayment incentives—that the MFIs use in their loan contracts. Joint liability, for example, mitigates adverse selection problems by inducing peer screening in the group formation stage; as well as ex-ante and ex-post moral hazard problems by inducing peer monitoring and peer pressure in the loan utilization stage (see, for example, Armendariz de Aghion, 1999; Ghatak, 1999 and 2000; Ghatak & Guinnane, 1999; Stiglitz, 1990; Van Tassel, 1999; and Varian, 1990). In the presence of dynamic repayment incentives, on the other hand, borrowers behave prudently, in their own interest, in order to reduce the likelihood of default (Guttman, 2008; and Gine, Jakiela, Karlan & Morduch, 2010).

Primarily driven by these successful innovations, microcredit has spread extremely rapidly since its beginning in the late 1970s. However, in spite of the widespread popularity of this revolutionary loan concept, microcredit has largely remained a poorly understood area for researchers and policy makers. In particular, the

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36 Under the joint liability clause, potential borrowers form groups and collectively apply for loans. Upon approval of the loan application, each member of the group individually receives a loan but the entire group remains jointly responsible for repayment. Therefore, if one borrower fails to repay, her group members are contractually required to repay in her stead. Under dynamic repayment incentives, on the other hand, MFIs (a) promise approval of a larger loan upon successful repayment of the current loan; and (b) denial of future credit upon default. See Chakravarty and Shahriar (2013) for a more detailed discussion.
fundamental question as to whether microfinance has delivered on its promises in terms of facilitating entrepreneurship at the bottom of the pyramid still remains unanswered (Khavul, 2010). In order to answer this question the present study examines the role that MFIs play in promoting entrepreneurial development through the provision of start-up capital to new ventures. At present only limited work has examined the impact of microfinance on the development of new ventures. For example, Banerjee et al. (2009) established that the introduction of a microfinance program in a new market in India, led to a significant increase in the number of new businesses. Although this evidence is non-trivial, more work needs to be done in order to enhance of our understanding of the role of microfinance in the development of entrepreneurship. In recent times, the industrial organization of microfinance is experiencing a major paradigm shift as the number of fully profit oriented commercial MFIs is increasing at a rapid pace (Cull, Demirguc-Kunt & Morduch, 2009). With such increasing commercialization, is it possible for microfinance to move away from its original goal of kick-starting entrepreneurial initiatives at the bottom of the pyramid? We seek an answer to this question in the present study.

**Mission Drift in Microfinance and the Provision of Start-Up Capital**

There is growing evidence which highlights the main differences between for-profit and not-for-profit MFIs. For example, based on evidence from 289 MFIs across the world, Cull et al. (2009) identify the main differences between both types of MFI. They find that although most not-for-profit MFIs are registered as non-government organizations (NGO), commercial banks dominate the population of for-profit MFIs, followed by credit unions, and non-bank financial institutions. The authors also find that for-profit MFIs, as opposed to their not-for-profit counterparts, make larger loans, have fewer clients, and prefer male over female borrowers. However, the most important distinction between these two types of MFIs lies in their capital structure. The authors find that around 65 per cent of the funding of not-for-profit MFIs comes from donations and soft loans, whereas amongst for-profit MFIs, the ratio of donations and soft loans to total funding is three and 14 per cent respectively for commercial banks and credit unions. The dominance of commercially minded organizations has led for-profit MFIs to be more conservative in their lending
decisions. This is evidenced in Chakravarty and Shahriar (2013), who establish that for-profit MFIs in Bangladesh are more likely to reject loan applications than their not-for-profit counterparts.

As highlighted previously start-ups face a greater hazard of dying than established firms (Stinchcombe, 1965). In addition, as established firms are characterized by lower levels of asymmetric information than new ventures run by resource-poor entrepreneurs, they are less of a risky lending proposition from the viewpoint of financiers. Accordingly, we expect for-profit MFIs to be less likely to extend start-up funding to new ventures. The not-for-profit MFIs, on the other hand, are primarily motivated by their social objective of poverty alleviation. Thus, they may embrace the risk of providing start-up capital to new ventures as a part of their social mission of poverty alleviation. This leads us to the testable hypothesis of the present study.

Hypothesis 1: For-profit microfinance institutions provide less start-up funding than their not-for-profit counterparts.

METHODOLOGY
Sample and Data Collection

This study utilized data from the Microfinance Information Exchange (MIX Market), a not-for-profit organization that aims to promote information exchange in the microfinance industry by collecting data on MFIs. Financial and demographic information was obtained on MFIs from the most recent version of MIX Market data that is publicly available (www.mixmarket.org). This data set contains information on more than 2,100 MFIs in over 110 economies over the past 10 years. However, information on the provision of start-up funding by MFIs is available for only 198 MFIs from 65 countries. In most cases this information is available for only one year,
2010, and only a few cases are observed for 2009 and/or 2011. Thus, we have a relatively small sample of 205 observations.

Although small in size, our dataset contains MFIs that are diverse in terms of geographical location and organizational type. In terms of geographical location, the breakdown of the MFIs in our sample is as follows: 6 from South Asia, 8 from East Asia and the Pacific, 10 from the Eastern Europe and Central Asia, 6 from the Middle East and North Africa, 21 from Sub-Saharan Africa, and 14 from Latin America and the Caribbean. The breakdown by organizational type is: 21 cooperative/credit unions, 15 banks, 48 non-bank financial institutions, 98 non-governmental organizations, 2 rural banks, and 14 others.

In addition to the data on MFIs, in order to control for the institutional contexts in which the MFIs operated, data on economy-specific institutional development and macroeconomic indicators was collected from different datasets compiled by the World Bank. The World Bank’s Doing Business dataset provides objective measures of business regulations and their enforcement across 185 economies, with a primary focus on domestic small and medium-sized companies. The Worldwide Governance Index (WGI) dataset reports aggregate and individual governance indicators for 215 economies over the period 1996–2011, for six dimensions of governance: voice and accountability, political stability and absence of violence, government effectiveness, regulatory quality, rule of law, and control of corruption. Information on macroeconomic indicators was collected from the World Development Indicators (WDI), the World Bank’s collection of current and historical global development data. Finally, in order to capture the depth of a financial system in a country, information was collected from the World Bank’s Global Financial Inclusion (Findex) Database. This dataset comprises of a set of indicators that measure how consumers in 148 economies save, borrow, make payments, and manage risk. In the following section the measures adopted for the dependent, independent, and control variables used in the present study are introduced.

**Dependent and Independent Variables**
Our dependent variable, STARTUP, measures the percentage of financed microenterprises that are start-ups, for each of the MFIs in our sample. In 34 out of the 205 MFIs in our sample, no start-up funding was provided in the year of observation. This suggests that, in general, MFIs are more inclined to lend to established businesses than provide funding to nascent entrepreneurs. The independent variable of this study reports that profit status of the MFIs in our sample. In particular, PROFIT is defined as a dummy variable that equals one if the MFI is a for-profit organization; and zero if the MFI is a not-for-profit organization. It is, however, worth underscoring that the ‘not-for-profit’ status does not imply that the MFI does not make any profits. In fact, a significant number of not-for-profit MFIs do make profits (see, for example, Cull et al., 2009). In a not-for-profit MFI, as opposed to a for-profit MFI, the profits are not distributed to the shareholders of the organization, but used for the expansion of its operations. Based on this measure, 65 per cent of the MFIs in our sample are not-for-profit organizations.

**Control variables**

**MFI Characteristics**

In our empirical analyses, we control for the effects of MFI characteristics, and the institutional environment where the MFI operates. For example, we control for the effects of an MFI’s age in analyzing its decision to provide start-up capital. The MIX Market categorizes MFIs based on its length of operation. An MFI is categorized as ‘new’ to the market if it has been in operation for less than 5 years, ‘young’ if it is in operation for 5 to 8 years, and ‘mature’ if it is in operation for more than 8 years. We define NEW MFI as a dummy variable that equals one if an MFI is in operation for less than 5 years; and zero otherwise. Based on this measure, 21 per cent of the MFIs in our sample are new to the market. We expect that less experienced MFIs who are new to the microfinance industry will be more likely to lend to nascent entrepreneurs with limited track records than more experienced MFIs, as part of a strategy to break into the market. More experienced MFIs might be expected to direct a greater proportion of funding to existing clients with a track record than towards start-ups, given the importance of relationship lending in a less developed institutional context as a mechanism to reduce asymmetric information and loan
monitoring costs (Webb et al., 2010). In addition, more experienced MFIs should have greater capacity to move up market and target more established businesses given the greater know-how and geographical coverage.

We also introduce a set of control variables related to the size of the MFI. As mentioned earlier, one of the possible factors that may lead an MFI to lend to more established business rather than lending to a start-up firm, is that start-ups are less transparent. Existing evidence suggests that it is small, rather than large MFIs, who are in a better position to use relationship driven information to address the asymmetric information problem (Chakravarty & Shahriar, 2013). Therefore, small MFIs might be expected to provide more start-up funding as they are in a better position to cope with the asymmetric information problem compared to their larger counterparts. The size of an MFI is measured by two variables: ASSET measures the (natural logarithm of) total assets held by an MFI, and PORTFOLIO measures the ratio of gross loan portfolio to total assets.

We also control for the effects of the outreach of an MFI, which is defined as the extent to which it reaches poor clients. Following Armendariz de Aghion and Morduch (2010), we use the size of average loan balance per borrower to measure outreach. In particular, AVERAGE LOAN SIZE is measured as a fraction of per capita gross national income of the country. Based on information on 435 MFIs over a period of 11 years (1997-2007), Hermes et al. (2011) have shown that the MFIs with a lower average loan balance are less efficient in terms of covering costs. Therefore, we expect that MFIs with greater outreach are more likely to provide funding to more established enterprises in an attempt to achieve cost efficiency by reducing the likelihood of loan default. In other words, we expect a negative association between outreach and provision of start-up funding. We have also included the number of active borrowers—ACTIVE BORROWERS—as an alternative measure of outreach.

Finally, a set of MFI characteristics is introduced that captures the expected cost of default, the workload of the loan officers, financial sustainability, and the regulatory status of an MFI. We expect that an MFI, which has a higher proportion of loans in its portfolio that are at risk of default, is less likely to provide start-up funding in order to
minimize further likelihood of default. If the same MFI, however, is better covered against default risk, it may be willing to provide more start-up funding. We measure default risk, PAR 30, as the proportion of loans in the portfolio that are overdue for more than 30 days. This provides an early indication of default risk. In addition, we use an additional variable, RISK COVERAGE, to capture more long-term risk. It is measured as the ratio of impairment loss allowance over the proportion of loans in the portfolio that are overdue for more than 30 days. A higher value of RISK COVERAGE means better coverage against default risks. The workload of loan officers (WORKLOAD) is measured as the number of borrowers per loan officer. Since start-up firms are less transparent, loan officers need to exert more effort and time in order to screen and monitor them. Therefore, we expect that MFIs where officers have a large workload are less likely to provide funding to start-up firms as their loan officers have less time to spend in the field to screen and monitor new clients. The variable SUSTAINABLE is also measured as a dummy variable, which equals one if the MFI is operationally self-sustainable, and zero otherwise. An MFI is said to be operationally self-sustainable if the ratio of financial revenue over the sum total of financial expense, impairment loss, and operating expense, is larger than one. Finally, the dummy variable, REGULATED, equals one if the MFI is regulated, and zero otherwise. In the present study, we more focus on formal regulatory institutions, given that recent work has established they have a greater impact on the rates of entrepreneurial entry into the economy than normative or cognitive institutions (Stenholm et al., 2013).

38 North (1990) defines institutions as ‘the humanly devised constraints that structure human interaction, which include formal rules such as laws and regulations, and more informal constraints such as cultures, social norms and customs’. Scott (1995) classifies institutions into three distinct categories; regulatory, normative, and cognitive. Whereas, regulatory institutions refer to those which are more formalized such as laws and regulatory structures, normative and cognitive institutions are more informal and not codified, and propagate themselves through shared societal culture (Di Maggio & Powell, 1983). Institutions define appropriate behavior, and create expectations determining proper actions for an organization or individual (Di Maggio & Powell, 1991; Meyer & Rowan, 1991). In the present study, we more focus on formal regulatory institutions, given that recent work has established they have a greater impact on the rates of entrepreneurial entry into the economy than normative or cognitive institutions (Stenholm et al., 2013).
restrict business development (North, 1990; McMullen, Bagby & Palich, 2008). In particular, regulatory factors such as a lack of protection for property rights and poor rule of law and labor regulations, increase environmental uncertainty and raise the risks of entrepreneurship and enterprise-formation (de Soto, 2000; La Porta, Lopez-de-Silanes, Shleifer and Vishny, 1998; McMullen et al., 2008; McMullen, 2011). In related research, Baumol (1993) and Baumol, Litan and Schramm (2009) argue that the development of strong institutions is conducive to higher levels of entrepreneurial activity in an economy. Empirical work typically confirms the assertions of such theoretical work. For example, Aidis et al. (2008) find lower levels of entrepreneurial activity in countries with weak institutional environments. Based on the stream of literature mentioned above, we expect that in a strong institutional context, MFIs will perceive funding start-ups as a less risky proposition. Accordingly, the variable, START UP, will have positive association with the measures of the strength of the institutional environment.

In order to capture the strength of the institutional environment of an economy where the MFI operates, we introduce a set of five variables. The first variable, EASE, measures the extent to which the institutional environment of an economy is favorable to start a new business. This variable is measured by the *Ease of Starting a Business* index of the World Bank’s *Doing Business* dataset (for details see [http://www.doingbusiness.org/methodology/starting-a-business](http://www.doingbusiness.org/methodology/starting-a-business)). This measure captures all procedures an entrepreneur needs to undertake before starting-up a business. These include obtaining licenses and permits, and completing relevant paperwork for the company and its employees with the relevant authorities. It also records the time and cost to complete these procedures, and the paid-in minimum capital requirement to start a new business. The ranking on the *Ease of Starting a Business* is the simple average of the percentile rankings on its component indicators. A country with a high ranking on the *Ease of Starting a Business* index (*i.e.*, a low value of EASE) indicates that it is easier to start a new business in this country compared to a country with a low ranking.

The second variable, LEGAL, measures the degree to which collateral and bankruptcy laws protect the rights of borrowers and lenders within an economy, and
thus facilitates lending. It is measured by the *Strength of Legal Rights* index of the *Doing Business* project. This index ranges between zero and ten, with a higher value indicating stronger legal rights in an economy. The third variable, DEPTH, measures the rules and practices affecting the coverage, scope and accessibility of credit information available through either a public credit registry or a private credit bureau. It is measured by the *Depth of Credit Information* index of the *Doing Business* project. The index ranges between zero and six, with a higher value indicating deeper credit information in a country. The fourth variable, ENFORCE, captures the efficiency of the judicial system in an economy in resolving a commercial dispute. In particular, it measures the time, recorded in calendar days, between the moment a plaintiff decides to file the lawsuit in court and the moment the dispute is resolved and payment is made. This variable also comes from the *Doing Business* data set.

The fifth and final variable, POLITICAL STABILITY, is taken from the World Bank’s *Worldwide Governance Index* (WGI). It measures the likelihood that the government will be destabilized or overthrown by unconstitutional or violent means, including politically-motivated violence and terrorism, on a scale from -2.5 to 2.5. A higher value on this scale means a more stable government.

Finally, we include a set of variables capture the extent of macroeconomic and banking sector development in the economy. Two macroeconomic indicators that are commonly used as control variables to examine the performance of MFIs, are per capita income and its growth over time (Ahlin et al., 2009). Accordingly, we have introduced two variables. GDP PER CAPITA, measured as real GDP per capita at constant 2005 international dollar levels and GDP GROWTH, measured as annual growth in real GDP per capita. These two variables are taken from the World Bank’s *World Development Indicators* database. In order to control for the depth of banking sector development in a country, we have included two variables, ACCOUNT, which measures the proportion of the bottom 40 per cent (in terms of income distribution) of the population (of age 15 and above) who have a bank account at a formal financial institution and SAVINGS, which measures the proportion of the bottom 40 per cent (in terms of income distribution) of the population (of age 15 and above) who have saved any money in a given year at a formal financial institution. The variables,
ACCOUNT and SAVINGS are collected from the World Bank’s *Global Financial Inclusion Index*.

**Summary Statistics**

Table 1 presents the summary statistics, along with the definition and specific source of each of the variables discussed above. Thirty five per cent of the MFIs in our sample are for-profit organizations; twenty one per cent are new MFIs; fifty four per cent are regulated; and almost eighty five per cent of the MFIs are operationally self-sustainable. On average, an MFI has US $980,000 in its asset accounts, and the fraction of gross loan portfolio to total assets is 82 per cent. The average ratio of loan balance per borrower to GNI per capita is 0.62 on average and each MFI has more than 39 thousand active borrowers. 65 percent of all MFI clients are women and less than ten per cent of the loans are at risk of default. The ratio of impairment loss allowance over the proportion of loans in the portfolio that is overdue for more than 30 days, is just over four. On average, a loan officer deals with 325 borrowers.
Table 1: Descriptive Statistics

<table>
<thead>
<tr>
<th>Variable</th>
<th>Description</th>
<th>Mean (SD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>START-UP</td>
<td>Per cent of financed microenterprises that are start-ups; MIX Market</td>
<td>0.434 (1.173)</td>
</tr>
<tr>
<td>PROFIT</td>
<td>Equals 1 if for-profit MFI, 0 if not; MIX Market</td>
<td>0.351 (0.478)</td>
</tr>
<tr>
<td>NEW MFI</td>
<td>Equals 1 if new MFI, 0 if not; MIX Market</td>
<td>0.209 (0.408)</td>
</tr>
<tr>
<td>REGULATED</td>
<td>Equals 1 if regulated MFI, 0 if not; MIX Market</td>
<td>0.536 (0.499)</td>
</tr>
<tr>
<td>SUSTAINABLE</td>
<td>Equals 1 if operationally self-sustainable, 0 if not; MIX Market</td>
<td>0.848 (0.359)</td>
</tr>
<tr>
<td>ASSET</td>
<td>Total of all net asset accounts (in $1000s); MIX Market</td>
<td>980 (0.19)</td>
</tr>
<tr>
<td>PORTFOLIO</td>
<td>Gross loan portfolio to total assets; MIX Market</td>
<td>0.782 (0.161)</td>
</tr>
<tr>
<td>AVERAGE LOAN SIZE</td>
<td>Average loan balance per borrower / GNI per capita; MIX Market</td>
<td>0.623 (1.767)</td>
</tr>
<tr>
<td>FEMALE BORROWERS</td>
<td>Fraction of female borrowers; MIX Market</td>
<td>0.648 (0.275)</td>
</tr>
<tr>
<td>ACTIVE BORROWERS</td>
<td>No. of active borrowers; MIX Market</td>
<td>39,357 (85,926)</td>
</tr>
<tr>
<td>PAR 30</td>
<td>Proportion of loans at risk &gt; 30 days; MIX Market</td>
<td>0.098 (0.176)</td>
</tr>
<tr>
<td>RISK COVERAGE</td>
<td>Impairment loss allowance /PAR 30; MIX Market</td>
<td>4.862 (32.94)</td>
</tr>
<tr>
<td>WORKLOAD</td>
<td>Number of borrowers per loan officer; MIX Market</td>
<td>325 (365)</td>
</tr>
<tr>
<td>EASE</td>
<td>Rank: ease of starting business; Doing Business</td>
<td>115.05 (47.801)</td>
</tr>
<tr>
<td>LEGAL</td>
<td>Legal rights of borrowers and lenders (index: 0 to 10); Doing Business</td>
<td>5.517 (2.235)</td>
</tr>
<tr>
<td>DEPTH</td>
<td>Credit information scope and accessibility (index: 0 to 6); Doing Business</td>
<td>3.586 (2.202)</td>
</tr>
<tr>
<td>ENFORCE</td>
<td>Time required to enforce a contract (calendar days); Doing Business</td>
<td>773.53 (393.13)</td>
</tr>
<tr>
<td>POLITICAL STABILITY</td>
<td>Political stability and absence of violence (index: -2.5 to 2.5); Doing Business</td>
<td>-0.822 (0.766)</td>
</tr>
<tr>
<td>GDP PER CAPITA</td>
<td>Real GDP per capita at constant 2005 international dollar; WDI</td>
<td>4,244 (2,505)</td>
</tr>
<tr>
<td>GDP GROWTH</td>
<td>Annual growth in real GDP per capita; WDI</td>
<td>5.75 (3.07)</td>
</tr>
<tr>
<td>ACCOUNT</td>
<td>Account used for business purposes, income, bottom 40% (% age 15+); Findex</td>
<td>20.618 (13.06)</td>
</tr>
<tr>
<td>SAVINGS</td>
<td>Saved at a financial institution in the past year, income, bottom 40% (% age 15+), Findex</td>
<td>6.372 (4.631)</td>
</tr>
</tbody>
</table>
MODEL ESTIMATION AND EMPIRICAL RESULTS

Multivariate Analysis

In our model, $\text{STARTUP}_{ijt}$ denotes the per cent of financed microenterprises that are start-ups for MFI $i$, in country $j$, at period $t$. $\text{PROFIT}_{it}$ denotes the for-profit status of the $i^{th}$ MFI in period $t$. $S_{it}$ is a set of institutional variables representing country $j$ at period $t$, and $M_{it}$ is a set of MFI-specific control variables at time $t$. In order to ensure the robustness of our findings, we use two different estimation techniques. First, we estimate the following model, which pools all MFIs in the sample, using the Ordinary Least Squares (OLS) regression technique:

$$
\text{STARTUP}_{ijt} = \alpha + \beta_{p}\text{PROFIT}_{it} + \beta_{S}S_{it} + \beta_{M}M_{it} + \mu_{ijt}
$$

Here $\beta$’s are the vectors of unknown parameters, $\alpha$ is a constant term, and $\mu_{ijt}$ is a normally distributed error term with mean zero and variance one.

Second, we estimate the same model in (1) using Tobit analysis (Tobin, 1958). As we have mentioned before, in 34 out of 205 cases an MFI in our sample did not provide any start-up funding. Therefore, the distribution of STARTUP, which piles up at zero, cannot have a conditional normal distribution; and any inferences drawn from the OLS regression would have only asymptotic justification. In such cases, where the dependent variable has a number of its values clustered at a limiting value (usually zero), Tobit models are particularly useful (see for example, McDonald & Moffitt, 1980; Greene, 2012; and Wooldridge, 2009). Typically, the Tobit model expresses the observed response ($\text{STARTUP}_{ijt}$, in this case) in terms of a latent variable. Suppose $\text{STARTUP}_{ijt}^*$ is a latent variable that (a) satisfies the classical linear model assumptions; and (b) is estimated using the same model as in (1). The relationship between the observed variable, $\text{STARTUP}_{ijt}$, and the latent variable, $\text{STARTUP}_{ijt}^*$, is given by

$$
\text{STARTUP}_{ijt}^* = \alpha + \beta_{p}\text{PROFIT}_{it} + \beta_{S}S_{it} + \beta_{M}M_{it} + \mu_{ijt}
$$

$$
\text{STARTUP}_{ijt} = 0 \quad \text{if} \quad \text{STARTUP}_{ijt}^* \leq 0
$$

$$
\text{STARTUP}_{ijt} = \text{STARTUP}_{ijt}^* \quad \text{if} \quad \text{STARTUP}_{ijt}^* > 0
$$

(2)
The Tobit model estimates the changes in the value of the dependent variable if it lies above the limiting value.

Results

Table 2 presents our empirical results. It is worth mentioning here that due to missing data for certain variables, the empirical results are drawn from a sample with 150 observations. The first column of Table 2 reports the results of OLS estimation, while the second column reports the results of Tobit estimation. It is evident that our hypothesis that there would be a negative association between PROFIT and STARTUP, received support in both OLS regression ($\beta= -0.669, \ p<0.05$), and the Tobit analysis ($\beta= -0.796, \ p<0.05$). This suggests that for-profit MFIs provide less financial capital to start-ups compared to not-for-profit ones.

Our results also suggest that new MFIs provide more start-up funding compared to mature MFIs, but the provision of start-up capital decreases as an MFI accumulates more assets. These results hold true in both OLS and Tobit estimation, and are consistent with our a priori expectation. Finally, we show evidence that two variables that capture the strength of institutional strength of an environment—EASE and LEGAL—may affect the provision of start-up capital by an MFI; although only weakly. As we mentioned before, EASE is a rank variable, which implies that it is relatively easier to start a new business in a country with a lower value of EASE. Thus, the positive coefficient associated with this variable implies that in economies where it is relatively easier to start a business, MFIs are less likely to provide start-up funding. This association, however, is statistically significant at the 10 percent level only in the OLS model. The negative coefficient associated with LEGAL, on the other hand, implies that in economies with strong legal rights, MFIs are less likely to provide start-up funding. This association is statistically significant at the 10 percent level in both models. These two findings are inconsistent with our a priori expectation in that in a strong institutional environment, MFIs provide less start-up funding.
### Table 2: Provision of start-up funding by microfinance institutions

<table>
<thead>
<tr>
<th>Control variables</th>
<th>OLS model</th>
<th>Tobit model</th>
</tr>
</thead>
<tbody>
<tr>
<td>PROFIT</td>
<td>-0.796**</td>
<td>-0.669**</td>
</tr>
<tr>
<td>NEW MFI</td>
<td>0.802**</td>
<td>0.764**</td>
</tr>
<tr>
<td>ASSET</td>
<td>-0.140*</td>
<td>-0.157**</td>
</tr>
<tr>
<td>PORTFOLIO</td>
<td>0.117</td>
<td>0.395</td>
</tr>
<tr>
<td>AVERAGE LOAN SIZE</td>
<td>-0.001</td>
<td>-0.012</td>
</tr>
<tr>
<td>FEMALE BORROWERS</td>
<td>-0.934*</td>
<td>-1.161**</td>
</tr>
<tr>
<td>ACTIVE BORROWERS</td>
<td>0.002</td>
<td>0.001</td>
</tr>
<tr>
<td>SUSTAINABLE</td>
<td>-0.345</td>
<td>-0.279</td>
</tr>
<tr>
<td>REGULATED</td>
<td>0.111</td>
<td>0.057</td>
</tr>
<tr>
<td>PAR 30</td>
<td>0.084</td>
<td>-0.259</td>
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<tr>
<td>RISK COVERAGE</td>
<td>-0.003</td>
<td>-0.004</td>
</tr>
<tr>
<td>WORKLOAD</td>
<td>-0.001</td>
<td>-0.001</td>
</tr>
<tr>
<td><strong>Institutional Environment</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GDP PER CAPITA</td>
<td>-0.001</td>
<td>-0.001</td>
</tr>
<tr>
<td>GDP GROWTH</td>
<td>0.051</td>
<td>0.051</td>
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<tr>
<td>ACCOUNT</td>
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<td>0.011</td>
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<tr>
<td>SAVINGS</td>
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<td>EASE</td>
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<tr>
<td>LEGAL</td>
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<td>-0.101*</td>
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<tr>
<td>DEPTH</td>
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<td>-0.034</td>
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<td>ENFORCE</td>
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</tr>
<tr>
<td>POLITICAL STABILITY</td>
<td>-0.171</td>
<td>-0.125</td>
</tr>
<tr>
<td>CONSTANT</td>
<td>3.825</td>
<td>4.200</td>
</tr>
</tbody>
</table>

R-squared 29.06

LR Chi-squared 0.234

Sample size 146 146

* Significant at the 10% level; ** Significant at the 5% level; *** Significant at the 1% level

---

**ADDRESSING POTENTIAL ENDOGENEITY PROBLEM**

From a statistical point of view, the significant association between PROFIT and STARTUP, which we have reported above, may arise under any of the three distinct scenarios. First, the not-for-profit status of an MFI may induce it to provide more start-up capital to the nascent enterprises (this is what we conjecture). Second, a socially oriented MFI may register as a not-for-profit organization simply because it wants to support the process of entrepreneurial development by providing start-up capital in its environment. In other words, there might be a reverse causality problem in our findings. Third, some unobserved factors, such as the social objective of the managers and the directors—whose effects are not controlled in our empirical
analyses described above—may simultaneously affect the profit status of an MFI and its attitude towards business start-ups as potential borrowers.\textsuperscript{39} Thus, there might also be an omitted variable bias in our estimation. Thus, the variable, PROFIT, can be endogenous in our empirical framework. The reliability of OLS estimation depends on a crucial assumption that the explanatory variable is uncorrelated with the regression-error term. However, if there is any potential reverse causality problem or an omitted variable-bias, as we discussed above, the explanatory variable is endogenous in the sense that it is correlated with the error term. In this case, the OLS technique produces biased and inconsistent parameter estimates.\textsuperscript{40}

In order to estimate the impact of profit status of an MFI (i.e., the treatment) on its decision to provide start-up funding (i.e., the outcome), one should ideally compare the percentage of financed microenterprises that are start-ups for the same MFI with and without the for-profit status. In practice, however, we do not observe any counterfactual outcome; that is, the outcome of an event had the event not occurred. One particular way of estimating this counterfactual outcome in a reliable way is to employ the propensity score matching (PSM) technique described by Heckman, Ichimura, and Todd (1997, 1998). In this method, the probability that a subject (in the present context, an MFI) would receive a treatment, the propensity score, is determined based on observable characteristics. Then, two subjects with the same (or similar) propensity scores are matched: one who has actually received the treatment, and the other who has not. The mean difference in outcome of such paired individuals can be attributed to the treatment variable because, by construction, the matched individuals have similar characteristics otherwise. The

\textsuperscript{39} For example, Mohammad Yunus, the founder of Grameen Bank views microfinance as a purely social business whose sole objective is poverty alleviation. Accordingly, he does not support the ongoing commercialization process of microfinance (Cull et al., 2009). This social objective is also reflected in his belief that every individual can start his/her own business, irrespective of the institutional settings, if they get access to financial capital (Yunus, 1999).

\textsuperscript{40} See Hamilton and Nickerson (2003) for a detailed discussion on endogeneity problems in management studies.
mean difference in outcome is defined as the average treatment effect on the treated (ATET), which is the parameter of interest in the PSM estimation.

We use a logit model to estimate the probability that an MFI would be a for-profit organization (as opposed to a not-for-profit one) based on the observable MFI characteristics described in section 3. Based on the propensity scores estimated from the logit regression, we match a for-profit MFI with a not-for-profit MFI such that the later has the same or similar likelihood of being a for-profit one, but for one reason or another, it has registered as a not-for-profit organization. We do so using different matching algorithms, which are widely used in the literature (see for example, Caliendo & Kopeinig, 2008). In particular, we use a radius matching approach, where a for-profit MFI is matched with the not-for-profit MFIs who have similar propensity scores, within a certain range or caliper. In this study, we choose two particular values of the caliper, namely 0.01, 0.02, and 0.03. In order to ensure the robustness of PSM estimation, a Kernel matching (KM) method is also applied, which uses the weighted average outcome of all MFIs in the control group to construct the counterfactual outcome. In applying KM, one needs to choose the Kernel function and a bandwidth parameter. In this study, we choose to use a Gaussian Kernel function, which is a default choice in standard statistical packages, such as STATA. In order to be consistent with the radius matching, we choose three different values of the bandwidth, namely 0.01, 0.02, and 0.03.

The results of PSM estimation are reported in Table 3. It is evident that the ATET associated with PROFIT is always negative and significant at the conventional level irrespective of the matching method used. This suggests that the for-profit MFIs are significantly less likely to provide start-up capital to new ventures. In particular, for-profit MFIs are 81 to 87 percent less likely to provide start-up funds.
Table 3: Provision of start-up funding by microfinance institutions: Propensity score matching estimation

<table>
<thead>
<tr>
<th></th>
<th>Radius matching</th>
<th>Kernel matching</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Caliper 0.01 Bandwidth 0.01</td>
<td>Caliper 0.02 Bandwidth 0.02</td>
</tr>
<tr>
<td>Average Treatment Effect on the Treated (ATET)</td>
<td>-0.819 -0.834</td>
<td>-0.812 -0.853</td>
</tr>
<tr>
<td>T-statistic</td>
<td>-1.73 -1.73</td>
<td>-2.15 -2.22</td>
</tr>
</tbody>
</table>

CONCLUDING DISCUSSION

With increasing commercialization of the microfinance sector, the number of profit-oriented MFIs is increasing. The objective of this study is to examine whether the ongoing commercialization of microfinance may have adversely influenced the provision of start-up funding to new ventures run by entrepreneurs at the bottom of the pyramid. Our findings indicating that for-profit MFIs provide less start-up funding than their not-for-profit counterparts support the proposition that ‘mission drift’ is occurring, in that more commercially-oriented MFIs are focusing upmarket and lending to more established businesses. This supports the view of researchers who are increasingly critical of the negative impact of the commercialization of microfinance (Copestake, 2007; Roodman, 2012).

In addition to establishing that for-profit MFIs provide less start-up funding, we find some evidence to suggest that MFIs operating in less developed institutional environments have a higher proportion of start-up funding in their loan portfolios than those operating in more developed institutional contexts. More specifically, we find that in institutional contexts where it is easier to start a business and there is greater protection of legal rights, MFIs provide less start-up funding. This is surprising given that lending relationships typically suffer from higher levels of asymmetric information in less developed institutional contexts (Bai et al., 2006), that MFIs in less developed institutional contexts have a greater capacity to move up-market and target more established businesses (Vanroose & D’Espallier, 2013); and that lending to nascent entrepreneurs in less developed institutional contexts is typically riskier given a higher rate of forced rather than voluntary entrepreneurship (Bradley et al., 2012).
Two explanations may be provided for such counterintuitive findings. First, the limited provision of start-up funding in the loan portfolios of MFIs in more developed institutional contexts might result from the lower levels of demand amongst nascent entrepreneurs for MFI start-up financing. Entrepreneurs in such contexts, who are more likely to be opportunity-based rather than necessity-based, given greater employment opportunities and access to education, may have greater access to cheaper sources of alternative financing with which to fund the start-up phase of their business. For example, given that starting a new business is a choice on their part, they might have had greater capacity to accumulate personal savings in paid employment from which to fund the initial stages of business development. In addition, opportunity-based entrepreneurs typically have greater access to external equity financing such as angel and venture capital financing, and find it easier to borrow money from their personal networks (Ho & Wong, 2007). In contrast, in less developed institutional contexts, a larger proportion of new ventures are started by necessity-based entrepreneurs from lower income groups, who have limited resources of their own to finance the initial stages of business development. They also have limited human capital which makes it harder for them to access alternative sources of financing, and may result in greater demand for start-up financing from MFIs (Poschke, 2013).

The second explanation for our surprising findings might result from the presence of excessive competition amongst MFIs in less developed institutional contexts (Navajas, Conning, & Gonzalez-Vega, 2003; McIntosh, de Janvry & Sadoulet, 2005). Such competition may serve to prevent a large number of MFIs, especially those with a not-for-profit orientation from moving-up market to serve more profitable and established clients, and lead them to focus on nascent entrepreneurs from lower income groups. As MFIs proliferate globally, an increasing number of MFIs, especially not-for-profit MFIs, may face significant competition from more commercially-minded MFIs and the banking sector, and opt to focus on the higher risk start-up market.
Policy Implications

Our findings have important policy implications. Governments should be aware that the increased commercialization and development of the microfinance industry might be having a negative effect on spurring new entrepreneurial activity amongst lower income groups. Assuming it is desirable from a policy perspective to provide start-up funding to lower-income entrepreneurs, several actions might be introduced to address this. First, the government authorities might consider introducing regulations to control the maximum loan size provided by MFIs. This should increase the proportion of credit directed towards start-ups. Second, the government might consider providing additional business support for less experienced and not-for-profit MFIs. An institutional environment that supports the existence of such MFIs, as well as providing support to nascent entrepreneurs, is critical.

In terms of our findings regarding the institutional environment, it seems unlikely that a weak institutional environment is actually encouraging start-ups, so much as constraining other opportunities to leave entrepreneurship as one of few options. If economic development is the goal, whether through employment or entrepreneurship, then continued institutional development is clearly desirable. As institutions develop, a more nuanced perspective on mission drift is needed: in what contexts are MFIs actually drifting, and is funding start-ups among the very poorest entrepreneurs likely to be the most successful development strategy? In this case, the actual effects of start-up funding provision need to be examined: for instance, when funding lower income groups, do MFIs primarily assist in creating self-employment or perhaps family employment, or do they contribute to the creation of small and medium-sized enterprises and subsequent employment opportunities?

Future Research

Although the present study makes a distinct contribution by examining how the profit-status of MFIs influences their provision of start-up funding to nascent entrepreneurs, it has number of limitations. First, given that in most cases only one year of data on the proportion of start-up funding in the loan portfolio of MFIs is available on the MIX
Market database, and not all MFIs provide information on start-up funding, our sample contains a relatively small number of observations. In future, we hope that given adequate data access researchers will be able to establish whether the present findings hold true using observations from a larger sample of MFIs over a number of years. Second, we must also acknowledge that the MIX Market database is not fully representative of MFIs from across the globe, given that it is skewed towards MFIs who are interested in providing information for potential donors or investors (Barr, 2005). Despite this it is the largest database containing financial and demographic information on MFIs in existence. Third, we must also recognize that the MIX Market data is self-reported and therefore likely to present an overly favourable picture of MFIs social performance. However, over the last few years the MIX Market has set up a quality control system in order to mitigate false reporting and increase the validity of the data (Vanroose & D'Espallier, 2013).

REFERENCES


Efficiency Evaluation through Data Envelopment Analysis: Evidences from South Asian Microfinance Institutions.

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ABSTRACT
We evaluated efficiency level of 110 microfinance institutions (MFIs) of South Asian countries by using Data Envelopment Analysis (DEA). We find that financial efficiency of these institutions is encouraging than social efficiency. In order to identify the best performing institution, DEA efficiency scores are further regress on institution specific and country specific indicators by using Tobit model. We find that individual differences are possible explanation of the efficiency differences among MFIs. The study findings suggest that both financial and social efficiency are sharing the same goal of improving the welfare of poor so improvement in either of these is encouraging.

KEYWORDS
Microfinance Institutions, efficiency, DEA, Tobit

INTRODUCTION
Muhammad Yunus initiated a financial project for the poor in 1976 that would become the Grameen Bank in 1983. Later on the concept of microfinance was born that received a tremendous recognition on international platform, culminating in a Nobel Peace Prize for the pioneer, Muhammad Yunus, in 2006. Along with international level recognition the concept of microfinance had huge success that include its accumulation of total assets of over US$60 billion by 2008 and average
annual assets growth of 39% between 2004 to 2008 (Chen, Stephen, & Reille, 2010). As a result, microfinance increasingly caught the interest of both financial and political actors and thereby sparking the demand for evaluations of microfinance institutions (MFIs).

Back in 2003 a consensus group of MFI rating agencies, multilateral banks, donors and private voluntary organizations agreed on some performance measurement ratios for MFIs. This is the standard reference of C-GAP (2003) that is used to define performance criteria for MFIs (Microrate, 2003; Piot-Lepetit & Nzongang, 2013; Schreiner, 2002). To reduce the dimensionality of the evaluation, cost per client and operating expense ratio were suggested as main criteria for MFIs performance evaluation (C-GAP, 2006; Rosenberg, 2009). We also analyzed the performance of MFIs by using some of these financial ratios in Shahzad, Ozer-Balli, Matthews, & Tripe (2012) but as these accounting based ratios are facing some disadvantages (as mentioned below) so we are evaluating the frontier of MFIs with some standard practice techniques in present study that prevailed in finance and microfinance literature.

The disadvantages of using accounting ratios are as follows. First, ratios deal with only single dimension are failed to capture the multi-dimensional nature of microfinance’s production process (C-GAP, 2003). As ratios use single input only so provide no information about trade-off between inputs and optimal input mix. Secondly, a comparison of ratios does not account for unobserved heterogeneity due to differences in demographic, ownership and regulatory status (Balkenhol, 2007). Thirdly, ratios assumed the linearity of economies of scale so do not account for the economies of scale while comparing the size of the institutions and hence not able to pinpoint the optimal scale of an MFI (Worthington, 1998). Therefore in present paper we are using a standard practice technique of DEA for efficiency measurement of MFIs in South Asia.

Furthermore, different types of institutions are working as microfinance so we will empirically explore the economic efficiency of each type of microfinance institutions operating in South Asian countries using data envelopment analysis from 2005 to
2010. Moreover, MFIs are special form of financial institutions that have both a social nature and for-profit nature objectives. We are measuring the financial and social efficiency of MFIs at the same time to know how these institutions can achieve these two objectives at the same times and what are challenges they have to face and how efficiently they can achieve them. We will measure the performance of MFIs in comparison to the benchmark institute that is working efficiently in achieving both of these objectives at the same time.

This paper is organized as follows. In section 2 we provide a summary of microfinance literature on the measurement of financial and social efficiency. Along with the efficiency concept in microfinance and efficiency concept analysis by using further regression analysis; research questions and hypotheses are also discussed in this section. In section 3 we discussed the methodology of this paper that includes DEA models and regression models. Section 4 introduces the data, variables selected for empirical analysis. Section 5 describes the DEA results and section 6 describes the regression results. Finally section 7 concludes.

EFFICIENCY AND MICROFINANCE INSTITUTIONS

The concept of a financial institution’s efficiency has long been studied, and the literature still continues to grow. The efficiency of financial institutions is measured according to the activities by which they conduct their business. The assessment of MFIs’ efficiency like other financial institutions is also based on the theory of the production function. This section will briefly review the frontier estimation methods used in microfinance literature, focusing on the underlying concept of efficiency. Until recently, the efficiency issue is commonly examined while using non-structural approaches like financial ratios but this conventional trend shifted towards parametric and non-parametric models such as stochastic frontier approach (SFA) and DEA.

According to Gutierrez-Nieto et al. (2007), the efficiency of a firm is referred by its ratio of input to output. This is simple to calculate if a producer is using a single input to produce a single output. However, in the case of multiple inputs and outputs, these inputs and outputs are aggregated in a single index to obtain a ratio of
measures productivity. A high volume of variation in choosing the efficiency measurement indicators is present in the literature. For example, Farrington (2000) is the first one to identify some accounting variables for efficiency measurement of MFIs. Some of these variables include loans per loan officers, loan officers to loan staff, administrative expense ratio, lending methodology, source of funds, etc. Lafourcade, Isern, Mwangi, & Brown (2005) use cost per saver and cost per borrower as efficiency measures of African MFIs. They find African MFIs incur lowest cost per saver but have the highest cost per borrower. They also find that regulated MFIs maintain highest efficiency through low cost per saver and per borrowers while unregulated MFIs have highest cost per savers. Neither of these two studies use either of the parametric (SFA and flexible profit function etc.) and non-parametric (DEA) approaches to evaluate MFI efficiency.

While some other microfinance efficiency studies use non-parametric alone, some use parametric approaches alone and others combine them also. For example, Bassem (2008) measure the efficiency of Mediterranean MFIs by applying DEA. Gutiérrez-Nieto et al. (2007) measure Latin American MFIs’ efficiency by applying DEA. They used two inputs and three outputs to measure the efficiency of 18 MFIs having different business models and identified one NGO and one non-bank financial institution as most efficient in their sample group. Similarly, another key study on the topic is that of Leon (2001) who studies the contributing factors for Peruvian municipal banks by using DEA. They find that governance, business environment and productivity of resources are contributing factors for the cost efficiency of their sample group.

Qayyum & Ahmed (2006) conduct a comparative efficiency analysis in three South Asian countries, Bangladesh, India and Pakistan’s MFIs by using the DEA. They conclude that managerial skills and technology should be improved as inefficiencies in these countries are mainly technical nature. Hassan & Sanchez (2009) investigates the technical and scale efficiency of MFIs using DEA and find technical efficiency is higher for formal MFIs than non-formal MFIs. They further posit that source of inefficiency is pure technical rather than scale, suggesting that MFIs are either not producing enough products or wasting their resources. Similarly Sedzro &
Keita (2009) also measure the relative efficiency of MFIs using output orientation model of DEA. They find their data sample institutions as increasing returns to scale and efficiency level among institutions is same within a country but different from one country to another.

On the other hand, Hassan and Tufte (2001) use SFA to find the role of gender management in efficiency of Grameen Bank branches. They posit that Grameen Bank’s branches have more efficient female employees compared to male employees. Desrochers and Lamberte (2003) use both SFA and DFA to study the Philippines’ cooperative rural banks. Similarly Bolli & Thi (2012) compare several identification strategies of cost efficiency and economies of scale such as DEA, SFA and distribution free identification approaches. They analyze the differences of production function across regions and relevance of accounting for unobserved heterogeneity across countries. They find substantial economies of scale for a pure financial production process and multi-dimensional production process (after including the outreach) lower the estimated extent of economies of scale. They suggest that producing outreach create high transition cost for the MFIs and require exploitation of local knowledge.

**Microfinance efficiency studies using non parametric approach**

DEA has become a popular method of investigating the microfinance efficiency. The academics have evaluated the microfinance efficiency on the basis of region, country and institution. In addition to that, DEA studies also show considerable differences in the microfinance input and output variables used for the analysis. Two specific form of DEA analysis were identified from the literature and are discussed in details in following subsections: (i) DEA analysis with financial sustainability and outreach objectives and (ii) DEA analysis with the second-stage analysis.

**DEA analysis with financial efficiency and social efficiency**

Efficiency of MFIs is assessed according to the microfinance social and financial objective functions - outreach and sustainability respectively. While outreach is measured by the number of loans outstanding, sustainability is measured by operational and financial indicators. Trade-off between these dual objectives of MFIs
is also examined and the concept of mission drift was defined by Armendáriz & Szafarz (2011) in detail who also devise a simple model to know whether mission drift is occurring or not. The model relates to measure the tendency of microfinance in serving the poor in comparison to the cost of accessing those remote unbanked poor customers. They find that cross subsidization and mission drift are inseparable concepts while former is about reaching out the richer unbanked. Cull & Spreng (2011) evaluate the privatization of both banks and MFIs. They find that privatization has a negligible impact on outreach with continuous but slow loan growth but they also find that through privatization these institutions can cut their operating cost, increase in profitability and reduce the non-performing loans. In another study Cull, Demirgüç-Kunt, & Morduch (2011) review the outreach and profitability in context of regulations and find that profit focused MFIs could maintain their profit levels with regulations by reducing access to those customers such as women who are expensive to reach. In other words they conclude that to cope with the regulations MFIs outreach level should be cut down.

Annim (2010) also examine the trend and efficiency drivers of MFIs in context of underlying returns to scale assumptions and the dual objectives of microfinance paradigm. While using both SFA and DEA he find a contrary result to trade-off between financial and outreach efficiency rather the latter tend to be positively linked with social efficiency. An extensive study on examination of outreach and sustainability is conducted by Hartarska, Shen, & Roy (2013) who has intuitive appeal that expanding loan size is less costly than to increase customer number. Thus for profit MFIs can take advantage to focus upon targeting higher net worth customers rather than serving more poor. However they also posit that to focus on outreach can help access the cheapest sources of capital and more deposits in order to improve profitability. In terms of scale efficiency they find that MFIs are moving away from small NGOs to big institutions and hence reducing their costs that shows economies of scales do exist for MFIs.

Another study on this topic is a case study of Crawford, Skully, & Tripe (2011) who examine the outreach and financial efficiency of Cambodian MFIs and have done an in-country rather than cross country level analysis by using time series data to know
how microfinance of Cambodia are meeting their objectives over time. They find that larger MFIs are good in meeting the outreach objective while smaller institutions appear to meet financial objective more efficiently. They also find the trend of less outreach and more profitable efficiency over time and conclude that microfinance dual objectives are not mutually exclusive.

Gutiérrez-Nieto, Serrano-Cinca, & Molinero (2009; 2007) measure the social and financial efficiency of MFIs using a methodological approach on multivariate analysis of DEA. In later study along with social efficiency and financial efficiency they also analyze if there is a trade-off between these objectives but they do not find any (with one exception) of the MFI in their database that is socially efficient but financially inefficient. Therefore in order to meet both objectives simultaneously they suggest that along with social efficiency, MFIs need to be financially efficient. Flückiger & Vassiliev (2007) also measure the social and financial efficiency of MFIs using DEA technique and press a need for microfinance to shift their trend toward financial efficiency as it is becoming more important than it was in the past. They describe the DEA as a best methodology to measure both of these objectives of MFIs simultaneously.

A number of different ways has been suggested in microfinance literature to select the inputs and output variables for DEA analysis. These efficiency techniques are ranked under different sets of inputs and outputs. Input and output selection in the model is based on intermediation and production models (Berger & Humphrey, 1997). Based on these concepts a particular sets of inputs and outputs are chosen to enter into efficiency assessment model definition. So in intermediation model acquired loans and deposits are considered as an input and loans are considered as

41 In the intermediation approach, profitable institutions collect deposits and make loans for getting profit. Deposits and acquired loans are considered as inputs and placed loans as output. On the other hand in the production approach, profitable institutions use physical resources. In this model manpower and assets are inputs, and transactions which are dealing with these loans and deposits are outputs.
an output. While in production model physical resources are considered as an input and transactions dealt with such as loans and deposits are treated as output. This means that deposits in only an example that differentiate between these models as it is considered as input in intermediation model and output in production model. But as most of the MFIs do not collect deposits and since one of the conditions of DEA methodology is to choose homogenous DMUs for all data sample hence deposits are being excluded from possible DEA model in this study as suggested by Gutiérrez-Nieto et al. (2007).

**DEA analysis with the two and three stage analysis**

The key determinants causing variations in microfinance efficiency cannot be clearly understood from looking only at these two objectives of financial sustainability and outreach used in the DEA analysis, although DEA studies of microfinance efficiency evaluations showed the capacity to evaluate microfinance efficiency. A clear understanding of the significant factors affecting microfinance efficiency would provide microfinance managers and policy makers a guideline for improving microfinance efficiency through these benchmarks; it further helps microfinance managers to compare their peers and improve their own operations.

Only a few studies have combined DEA models and the second stage analysis. Some research have used the microfinance objectives of financial sustainability and outreach as inputs and outputs in DEA models, and then conduct further statistical analysis to identify the significant determinants causing the variation in microfinance efficiency. For example, Bäckman, Islam, & Sumelius (2011) use DEA to measure the economic efficiency of microfinance borrowers and non-borrowers. Along with the DEA model they also analyze the obtained efficiency scores with Tobit model after including some controlled variables. They find that main challenge for microfinance borrowers is to develop the cost minimizations skills in order to increase their efficiency. Similarly Haq, Skully, & Pathan (2010) use DEA and Tobit model to measure the efficiency scores of 39 MFIs in all regions of the world. They find NGOs are more efficient under production approach and banks are appear to be
more efficient in intermediation approach in fulfilling the dual objectives of alleviating poverty and achieving financial sustainability simultaneously.

Nawaz (2010) also use DEA and Tobit model and DEA based Malmquist indices in his efficiency and productivity study on microfinance and analyze the role of incorporated subsidies in microfinance. His findings upheld the tradeoff between outreach to the poor and financial efficiency of MFIs. Thus those MFIs that cater to the poor are tend to be more inefficient than those with relatively well-off clients. He also concludes that lending to the female is efficient only in presence of subsidies. Similarly Nghiem, Coelli, & Rao (2006) use DEA and Tobit model to access the technical and scale efficiency of Vietnam’s MFIs. Their important finding is that age and location of the microfinance scheme have a significant influence upon efficiency.

In present study to analyse the sampled microfinance institution’s specific operating characteristic or the managerial and operational factors which are under the control of microfinance management. In order to explain their likely impacts on variations in microfinance efficiency, along with DEA efficiency index, OLS and Tobit models are also been adopted as a second stage regression analysis. In specific, this approach allows to run the regression analysis for examining microfinance operating characteristics and other event variables on the DEA efficiency index. Based on the existing literature we are also performing the two stage analysis; DEA efficiency scores and regression analysis. The unique point in present study is that along with conventional models of DEA we are also using the SBM-super efficiency models in context of institutional differences and environmental differences that will be discussed in details in subsequent sections.

**Scope of Study**

The objective of this study is to investigate the ability to maintain and strengthen the role of MFIs in South Asian countries as the big and most widespread institutions around the globe. To achieve the research objectives, this study is developed as an analysis of South Asian MFIs within which the aspects of the MFIs efficiency among these countries and future financial and outreach growth can be investigated. More
importantly it is critical for the financial and non-financial sector of the sample countries to know the role of MFIs and to consider the implications of MFIs role upon South Asian’s economic development and future policy making.

Research questions and related hypotheses
Following research question and related hypotheses address our research objective:

How efficient are MFIs operations in South Asian countries and what factors explain the variation in microfinance efficiency?

Related Hypotheses

Efficiency level of different types of MFIs

Non-profitable MFIs such as NGOs, Credit unions are built on the objective to serve the poors while profitable institutions such as microfinance banks are working to serve both objectives of outreach and financial sustainability. Because both types of profitable and non-profitable institutions are working as MFIs so the first hypothesis of this study is that microfinance profitable institutions concentrate more on financial efficiency and microfinance non-profitable institutions concentrate more on social efficiency. This study hypothesises states that relative efficiency level also varies according to different types of MFIs. As special microfinance banks and NGO program would give more priority to poverty reduction in comparison to some registered MFIs such as commercial banks who gave more priority to financial sustainability and we are expecting that because of shift of their objective their efficiency level also varies.

MFIs efficiency level in each sample country

Relative efficiency of some of the sub-groups within our data set is different between countries and between institutions of different types. Although economic conditions of South Asia region is similar, but as MFIs are operating in different countries so their efficiency level might also varies accordingly. For example population size in
each country, rate of poverty people, microfinance regulations, microfinance penetration and other similar differences are matters a lot that we consider worth able to analyse them separately. In particular, we investigate how MFIs manage the financial and administrative burdens complying with different environments looking at the profitability and outreach efficiency. In microfinance literature we find that studies have conducted the cross region comparisons but so far have been unable in depth study on the cross country comparisons of these South Asian countries so this study will give us the more in depth understanding of each country’s economy.

Size and efficiency of MFIs

Size (in terms of total assets or loan size and age) of an institution matter more for large or small efficiency levels is also one of the discussion hypotheses in present study. The difference in size of the institution linked directly to the difference in relative cost although the high transaction cost means that institution is reaching to the very poor with small scale services that often entails with charging high fees. In microfinance literature, most of the empirical studies have included the size variable in their analysis using loan size or total assets as a proxy so we also want to see the impact of size on financial and social efficiency of MFIs in the second part of our analysis.

These hypotheses are summarized as follows:
Microfinance profitable institutions concentrate more on financial efficiency and microfinance non-profitable institutions concentrate more on social efficiency.
Although having almost same economic environment the efficiency level of MFIs in each five countries of South Asia are vary from each other.
Large institutions are hypothesized to be both financially and socially more efficient than small MFIs.
The research question and related hypotheses will be addressed in coming sections along with explanation of some internal and external factors that might affect the MFIs.
**METHODOLOGY**

The underlying concept of efficiency measurement in DEA depends on the economic notion of production technology that transforms inputs into outputs. This non-parametric approach leads not only to measure the relative efficiency but also identify the best practice institution. A MFI is called efficient when neither any other MFI nor combination of MFIs provide better productive bundle in the observed sample. Efficiency can be measured by decreasing the inputs level but without changing outputs level or by increasing the current level of outputs without changing the input level, the former is called input oriented model and later is called the output oriented model. The most valuable outcome of a DEA assessment is to identify the efficient peers in each inefficient MFI. One of the assumptions of DEA model is that each DMU is the sample would handle similar mix products using similar mix of resources in similar environment. This assumption makes the efficient DMU as a suitable role model for other DMUs in order to improve their performance in the sample (Berger & Mester, 1997; Boussofiane, Dyson, & Thanassoulis, 1991; Piot-Lepetit & Nzongang, 2013)

There are various types of models that can be used based on problem and conditions on hand. DEA models types can be identified concerning a situation based on orientation and scale of efficiency. If scale economies are assume to be unchanged as size of the service facilities increase, then appropriate model is constant returns to scale.

**Model orientation**

In ratio analysis (Shahzad et al., 2012) we calculate efficiency output over input and to improve efficiency place emphasis on reduction of inputs; in DEA analysis this concept is called input orientation. In input orientation we assume that the managers of MFIs have more control over the inputs rather than arrival of new borrowers, generating more financial revenues or on volume of gross loan portfolios. Input oriented models are listed in equation 1 and 2 where it is assume that an MFI must reduce its inputs to achieve efficiency.
However the reverse argument can also be made that managers of MFIs, through marketing, reputation, quality of services or by referrals can attract number of borrowers, generate more loan portfolios and increase their financial revenues. This means that at a given capacity of inputs they can augment their output to increase their organization’s efficiency and this approach is called output orientation. To check the robustness of our results we use both orientation in present model but for brevity we only include input oriented model.

In DEA, various models have been developed to use either the input or output orientation and the emphasis of these models are to put a proportional augmentation of lacking outputs (output slacks) or proportional reduction of excessive inputs (input slack). However there are also models where managers of an organization can place emphasis on both input reduction and output augmentation at the same time by decreasing input slacks and improving output slacks. These slacks based models (equation 4) are called non-orientation models. Details of DEA conventional models and slacks based model is elaborated in detail in next section.

**Conventional frontier models**

**CCR model**

Although Farrell (1957) gave the concept of efficiency measurement approaches, a major development of DEA approach is proposed by the breakthrough paper of Charnes et al. (1978) in which the term ‘DEA’ was first used. They introduce DMUs to measure efficiency that is obtained as a maximum ratio of weighted outputs to weighted inputs for each DMU subject to a set of constraints (i.e. assumptions).

Assume that there are n MFIs that are converting m inputs into s outputs. Each MFi consumes \(X_{ij} \geq 0\) of inputs i to to produce \(Y_{rj} \geq 0\) of outputs r and that each MFI has at least one positive input and output (Fare, Grosskopf, & Lovell, 1994).

\[
\min_{\theta, x} \theta
\]  

(1)
Subject to \( \sum_{j=1}^{n} \lambda_j Y_{rj} \geq Y_{rj} \) \( (Y \text{ Output, } r = 1, \ldots, s) \)
\[ \theta X_{ij} \geq \sum_{j=1}^{n} \lambda_j X_{ij} \] \( (X \text{ Input, } i = 1, \ldots, m) \)
\[ \sum_{j=1}^{n} \lambda_j = 1 \]
\[ \lambda_j \geq 0 \] \( (\text{MFIs, } j = 1, \ldots, n) \)

\( \theta \) is scalar and \( \lambda \) is \( n \times 1 \) vector of constant, the value of \( \theta \) obtained is the efficiency scores of \( j^{th} \) MFI (Coelli, Rao, O'Donnell, & Battese, 2005). This DEA model presupposes that there is no significant relationship between efficiency and scale of operations by assuming constant returns to scale and it delivers the overall technical efficiency. Similarly the model can be constructed either to maximize output or to minimize input. Exact shape of the frontier is based on the common assumptions of constant returns to scale (CRS) and variable returns to scale (VRS) and scale efficiency is calculated by using both of them i.e. constant returns to scale (CCR model) and variable returns to scale (BCC model).

**The BCC model**

An alternative set of assumptions were tested in another basic frontier model in which the VRS model\(^{42}\) was proposed by relaxing the CRS assumptions (Banker, Charnes, & Cooper, 1984). They extended the CRS – CCR model and introduce VRS – BCC model that provides measurement of pure technical efficiency (PTE)\(^{43}\). If there appear to be difference between the technical efficiency obtained of a particular DMU from CRS and VRS then it indicate the existence of scale inefficiency. The corresponding BCC-I model is written as follows:

\[
\text{[BCC – I]}
\]

\[ \min_{\theta, \lambda} \theta \] \( (2) \)

\(^{42}\) In case of VRS, efficiency can also be measured in any orientation and these measurements helped to identify multiple, overused inputs and unutilized outputs (Berger & Humphrey, 1997).

\(^{43}\) PTE evaluate how efficient a MFI is at managing and using its resources and infrastructure under exogenous conditions, a smaller PTE value means the MFI cannot use its resources and infrastructure to generate the output volume efficiently and vice versa.
Subject to \( \sum_{j=1}^{n} \lambda_j Y \geq Y_{rf} \)
\( \theta X_{ij} \geq \sum_{j=1}^{n} \lambda_j X_{ij} \)
\( \sum_{j=1}^{n} \lambda_j \leq 1 \)
\( \lambda_j \geq 0 \)

First constraint = output of the reference unit must be at the same level as the output of base DMU.
Second constraint = inputs usage of first DMU must be greater than or same as used in reference DMUs.
Third constraint introduces the VRS and ensures convexity; if this constraint is dropped the frontier technology from VRS to CRS is changed.

*Scale efficiency*

Overall technical efficiency is measured by DEA – CCR model and pure technical efficiency is measured by DEA – BCC model that is the measurement of technical efficiency. Any difference between technical efficiency and pure technical efficiency is called scale inefficiency. Scale efficiency is calculated as follows

\[
\text{Scale efficiency} = \frac{\theta_j \text{CRS}}{\theta_j \text{VRS}}
\]

(*SBM super-efficiency*)

If both input reduction (input oriented model) and output enhancement (output oriented) are desired goals as in our case where we suppose that is desirable situation for MFI. In this situation Tone (2001) has proposed a slacks-based measure (SBM) for DEA that provide an appropriate structured model to capture a DMU’s performance measure in which specifically incorporates slacks in the objective function. In order to rank the efficient DMUs from SBM, super-SBM models are used in the literature.
Suppose \( X > 0, \ Y > 0 \), Tone (2001) introduced the super-efficiency model corresponding to DMU\( j \) as follows.

\[
\theta = \left( \min_{\lambda, \tilde{X}, \tilde{Y}} \left( \frac{1}{m} \sum_{i=1}^{m} \frac{X_i / X_{ij}}{S_i / X_{ij}^0} \right) \right)
\]

(4)

Subject to:

\[
\begin{align*}
\tilde{X}_i & \geq \sum_{j=1, j \neq 0}^{n} \lambda_j X_{ij} \\
\tilde{Y}_r & \leq \sum_{j=1, j \neq 0}^{n} \lambda_j Y_{rj} \\
\bar{X} & \geq X_j \quad \bar{Y} \leq Y_j \\
\bar{Y} & \geq 0, \lambda \geq 0
\end{align*}
\]

The numerator is a \( l_j \) weighted distance from \( X \) to \( \bar{X}(\geq X_j) \) so it express an average expansion rate of \( X_j \) to \( \bar{X}(\geq X_j) \). The above model is used for ranking extreme efficient units. The greater the objective function value, the higher the rank of the corresponding extreme efficient DMUs. The model indicates the distance DMU\( j \) of the points \( (\bar{X}, \bar{Y}) \) in the new production possibility set after the removal of DMU\( j \) regarding \( \bar{X} \geq X_j \)and \( \bar{Y} \geq Y_j \) and considers the point that has the smallest distance from the DMU under evaluation.

**OLS and TOBIT models**

The DEA efficiency indexes obtained from the first-stage DEA analysis are termed the raw indexes as they do not reflect each sampled microfinance institution’s specific operating characteristic or the managerial and operational factors which are under the control of microfinance management. These environmental factors are specifically included in our efficiency analysis so we adopt second stage regression approach (OLS and Tobit models) as advocated by Fried, Schmidt and Yaisawarng (1999). In order to explain their likely impacts on variations in microfinance efficiency,
the OLS and Tobit models have been adopted in this study during the second stage regression analysis. In specific, the approach here is to run the regression analysis for examining microfinance operating characteristics and other event variables on the DEA efficiency index.

Both Tobit and OLS models treat the DEA efficiency indexes as the limited dependant variable as they fall between 0 and 1. Tobit model is actually considered as another type of regression analysis of ‘The Limited Dependent Variable Regression Model’ or ‘The Censored Normal Regression Model’ (Gujarati & Porter, 2003; Wooldridge, 2009).

OLS model is written as in following equation

$$Y_i = X\beta + \varepsilon_i$$  \hspace{1cm} (7)

For the Tobit model, Yi is the DEA efficiency index of each microfinance. $\beta$ is the coefficient or the vector of estimated parameters, X is the matrix of explanatory variables and $\varepsilon_i$ is the error term. The main underlying assumption of Tobit model is $\varepsilon_i \sim iidN (0, \theta^2)$ which means that error term is independent, normal and identically distribute with zero mean and variance $\theta^2$ and it is independent of the explanatory variable Xi.

The Tobit model is written as shown in equation 8

$$Y_i^* = X\beta + \varepsilon_i = 1, 2, 3, \ldots, n \hspace{1cm} \varepsilon_i \sim iid N (0, \sigma^2)$$  \hspace{1cm} (8)

Instead of observing $Y_i^*$, $Y_i$ is observed and expressed in equation 9

$$Y_i = \begin{cases} Y^* & \text{if } Y_i^* > 0 \\ 0 & \text{if } Y_i^* \leq 0 \end{cases}$$  \hspace{1cm} (9)

In addition, the $\beta$’s can be estimated with the log-likelihood method. The likelihood function of the Tobit model (Amemiya, 1984) is written as shown in equation 10

$$L = \prod_0 [1 - \Phi \left( {X\beta} / \delta \right) \phi \left( {Y_i - X\beta} / \delta \right)$$  \hspace{1cm} (10)

Where $\phi$ and $\Phi$ are the probability and density function of a standard normal variable respectively but the estimated coefficients, $\beta$’s, do not provide the marginal effects like OLS model. In essence, the marginal effect in the Tobit model, while keeping
other covariates constant, measures the instantaneous change (expected) in the
dependent variable as a function of the change in a certain explanatory variable.
Therefore the marginal effects need to be calculated for interpreting the effect of the
explanatory variable upon the dependent variable in the Tobit model.
According to Greene (2008) following equation is used to compute the marginal
effect of the explanatory variable \( K \) in the Tobit model and is computed with the
sample means of the data.

\[
\beta_k = \frac{aE[y_i]}{\partial x_k}
\]

*Key determinants for second-stage Tobit regression analysis*

**DATA DESCRIPTION**

**The dataset**

We have balanced panel data of 110 MFIs across five South Asian countries\(^{44} \) for six
years from 2005 to 2010. For present study data is gathered from various sources;
annual data is downloaded from MIX market database (http://www.mixmarket.org/)
with total observations of 660 in sample and data on environmental variables is
downloaded from the World Bank website\(^ {45} \).

<table>
<thead>
<tr>
<th>Country</th>
<th>MFIs</th>
<th>Observations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bangladesh</td>
<td>27</td>
<td>162</td>
</tr>
<tr>
<td>India</td>
<td>40</td>
<td>240</td>
</tr>
<tr>
<td>Nepal</td>
<td>20</td>
<td>120</td>
</tr>
<tr>
<td>Pakistan</td>
<td>15</td>
<td>90</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>08</td>
<td>48</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>110</td>
<td>660</td>
</tr>
</tbody>
</table>

\(^{44}\) MFIs are from Bangladesh, 40 are from India, 20 are from Nepal, 15 are from Pakistan and 8 are from Nepal.

\(^{45}\) See http://data.worldbank.org/indicator
Data related to financial statements and other relevant information is also gathered from MIX market. Given that MFI data is downloaded from MIX market, the definitions of the variables are also utilized from MIX given information and financial data is in current US dollars. The World Bank data variables include inflation, human development index (HDI) and GDP levels of each sample country. Nominal GDP (in current US billion dollars) is used as a proxy to measure the size of economy but instead we have calculated the growth of GDP indicator as suggested by Ahlin et al. (2011). Growth in GDP is calculated by using the equation 5.

\[
\text{Growth in GDP} = \log GDP_t - \log GDP_{t-1} \quad (5)
\]

DEA- solver has been used to get the first order DEA scores. Table 1 provides the distribution of observation in all sample countries and we can see that India has large number of MFIs as compare to other countries. 36% MFIs are from India, 25% are from Bangladesh, 18% are from Nepal, 14% MFIs are from Pakistan and only 7% are from Sri Lanka.

Data sample and choice of variables in terms of inputs and outputs

For the empirical analysis, all South Asian microfinance institutions would be incorporated in the study. For selection of inputs and outputs instead of reliance on either production or intermediation approach we are guided by the dual objectives of these institutions. Gutiérrez-Nieto et al. (2007); (2009) and Dyson et al (2001) argue that both production and intermediation approaches are difficult to dealt with in microfinance study and therefore they use microfinance scope\(^\text{46}\) and objectives for the selection of inputs and outputs.

For this study, three microfinance inputs (personnel, operating expenses and financial expense) and three outputs\(^\text{47}\) (number of active borrowers, gross loan

\(^{46}\) Microfinance scope includes financial and operational scope and microfinance objectives include sustainability and outreach.

\(^{47}\) The detail of inputs and outputs are compiled in Table 2.
portfolios and financial revenues) were selected for the first stage DEA analysis. As for as the number of DMUs are concerned they are well in excess of guidelines in terms of number of inputs and outputs (Banker, Charnes, Cooper, Swarts, & Thomas, 1989; Cooper, Seiford, & Tone, 2007). This study has met the requirement (equation 6) with a sample size of 110 microfinance institutions and total number of six inputs and outputs for the first-stage DEA analysis. This expression of total number of MFIs observed in this study for DEA analysis is calculated based on equation 6.

\[ n \geq \text{maximum } \left[ m \times s, 3 (m + s) \right] \]  \hspace{1cm} (6)

Where:
\[ n = \text{number of MFIs observed} \]
\[ m = \text{number of inputs} \]
\[ s = \text{number of outputs} \]

The definitions of inputs and outputs variables that are used in our study are provided in Table 2 and these definitions are compiled from MIX Market database.

---

48 Most rigid DEA convention was followed to decide total number of microfinance observations in association with total number of inputs and outputs. Minimum number of microfinance observed should be greater than three times the sum of inputs and outputs to ensure that satisfactory discriminating power is possible.
Table 2: Definition of Inputs and Outputs

<table>
<thead>
<tr>
<th>Specification</th>
<th>Indicators</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inputs</td>
<td>Personnel</td>
<td>Number of employees actively employed by the MFI. This includes contract employees, advisors who dedicate most of their time to the microfinance even they are not the MFIs' rosters of employees.</td>
</tr>
<tr>
<td></td>
<td>Operating expenses</td>
<td>Administrative expenses excluding interest expense.</td>
</tr>
<tr>
<td></td>
<td>Financial expenses</td>
<td>These expenses will continue to be classified by associated liability, but are also broken down by type of expense (interest, fee) for each associated financial liability.</td>
</tr>
<tr>
<td>Outputs</td>
<td>Number of active borrowers</td>
<td>The numbers of individuals or entities who currently have an outstanding loan balance with the MFI or are primarily responsible for repaying any portion of the Loan Portfolio, Gross. Individuals who have multiple loans with an MFI should be counted as a single borrower.</td>
</tr>
</tbody>
</table>

Table 3 provides the summary statistics of inputs and outputs that are employed in DEA models to get the social efficiency scores. It can be seen that there is a lot of variations in between inputs and outputs of observed MFIs. Size of MFIs in South Asia can be interpreted by two variables i.e. number of personnel and number of active borrowers. Minimum numbers of personnel working in MFI are 4 with average number of 1,416 and similarly minimum numbers of active borrowers are 52 with average number of 323,161 that indicate small sized institutions in South Asia. A point of consideration in this descriptive statement shows that both minimum and average values are far more less than the outputs values. If other factor remains constant, just looking at these variables, it can be reasonably said that MFIs working in South Asia region are operating at socially efficient level.
Table 3: Descriptive statistics of DEA inputs and outputs

<table>
<thead>
<tr>
<th>Inputs</th>
<th>Outputs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel</td>
<td>Number of active borrowers</td>
</tr>
<tr>
<td>Operating Expense</td>
<td>Gross Loan Portfolio</td>
</tr>
<tr>
<td>Financial Expense</td>
<td>Financial Revenue</td>
</tr>
<tr>
<td>Max</td>
<td>6,610,000 960,793,982 269,380,159</td>
</tr>
<tr>
<td>Min</td>
<td>4 52 1,012,713</td>
</tr>
<tr>
<td>Average SD</td>
<td>1,416 323,161 1,012,713</td>
</tr>
<tr>
<td>SD</td>
<td>4,010 12,641,431 13,377,162</td>
</tr>
<tr>
<td></td>
<td>106,325,334 144,881,006</td>
</tr>
<tr>
<td></td>
<td>1,084 3,648,390</td>
</tr>
<tr>
<td></td>
<td>2,256 4,388,928</td>
</tr>
<tr>
<td></td>
<td>0 8 9</td>
</tr>
<tr>
<td></td>
<td>52 8,786 5,862</td>
</tr>
<tr>
<td></td>
<td>323,161 39,010,764</td>
</tr>
<tr>
<td></td>
<td>10,487,856</td>
</tr>
<tr>
<td></td>
<td>1,012,713 119,356,544</td>
</tr>
<tr>
<td></td>
<td>32,737,515</td>
</tr>
</tbody>
</table>

Table 4 provides the correlation coefficient among DEA inputs and outputs.

Table 4: Correlation among DEA inputs and outputs

<table>
<thead>
<tr>
<th></th>
<th>Personnel</th>
<th>Operating expenses</th>
<th>Financial expenses</th>
<th>Number of active borrowers</th>
<th>Gross Loan Portfolio</th>
<th>Financial revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating expenses</td>
<td>0.94</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial expenses</td>
<td>0.72</td>
<td>0.85</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of active</td>
<td>0.97</td>
<td>0.95</td>
<td>0.81</td>
<td>1.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>borrowers</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross Loan Portfolio</td>
<td>0.88</td>
<td>0.96</td>
<td>0.92</td>
<td>0.94</td>
<td>1.00</td>
<td></td>
</tr>
<tr>
<td>Financial revenue</td>
<td>0.89</td>
<td>0.97</td>
<td>0.92</td>
<td>0.94</td>
<td>0.99</td>
<td>1.00</td>
</tr>
</tbody>
</table>
RESULTS

Efficiency results

CCR (CRS) and BCC (VRS) models are selected for the first stage analysis and by dividing the CCR annual observations scores with BCC annual observation scores we get the scale efficiency scores for each MFI in our data sample and hence decompose the technical efficiency into pure technical and scale efficiency values.

Figure 1: Scale efficiency scores

The scale efficiency scores of each sample country are reported in Figure 1. Bangladeshi MFIs has mostly scale inefficiency because they are operating at decreasing level of scales throughout the six years while comparing other countries. In 2005 Bangladeshi MFIs were at 95% scale efficiency that goes down in 2010 upto 85%. Similarly Pakistani MFIs are also having trend of constant to decreasing level of efficiency and they go down from 92% to 88% from 2005 to 2010. Indian MFIs scale efficiency is slightly improved in these six years from 88% to 91% and same is the case with Nepal and Sri Lankan MFIs. Although all MFIs are operating below the efficiency level but it can be seen that they are improving their performance by the passage of time in three out of five countries.
Table 5\textsuperscript{49} show the actual efficiency scores obtained from these models along with their returns to scale. We can see that among total sample of 660 observations of 110 MFIs over six years, no institution is appearing efficient in any model for all years consistently. Indian MFIs are more efficient than other countries. Although to produce the detailed results of each microfinance institution, the overall panel data sample size is too large for us to explain so we confined ourselves to the main findings. It is worth noting that the application of SBM approach produce very different efficiency scores as compared to other more conventional DEA measures such as BCC and CCR model etc. As explained in Tone (2001) the construction of SBM score is not different than other DEA measures and any of the institutions that appear as efficient in SBM model must also be efficient in other DEA measures as well but this can’t be said as vice versa While comparing the institution size with scale efficiency big institution appear to be inefficiency as their efficiency score is less than one and when we compare the results with returns to scale they are following mostly decreasing return to scales in our sample period as can be seen in Table 5.

\begin{table}[h]
\centering
\begin{tabular}{|c|c|c|c|c|c|c|c|c|c|}
\hline
 & \multicolumn{3}{c|}{Input oriented model} & \multicolumn{2}{c|}{Non-oriented (C)} & \multicolumn{3}{c|}{Output oriented model} & \multicolumn{2}{c|}{Non-oriented (V)} \\
\cline{2-11}
 & BCC & CCR & S.E & SBM-super efficiency & BCC & CCR & S.E & SBM-super efficiency \\
\hline
No. of DMUs & 660 & 660 & 660 & 660 & 660 & 660 & 660 & 660 & 660 \\
Average & 0.65 & 0.58 & 0.913 & 0.41 & 0.65 & 0.58 & 0.90 & 0.49 \\
SD & 0.20 & 0.18 & 0.21 & 0.20 & 0.18 & 0.26 & 0.20 & 0.18 & 0.26 \\
Maximum & 1.00 & 1.00 & 1.00 & 1.47 & 1.00 & 1.00 & 1.00 & 1.47 & 1.47 \\
Minimum & 0.19 & 0.04 & 0.136 & 0.01 & 0.05 & 0.038 & 0.35 & 0.01 & 0.01 \\
Inefficient DMUs & 581 & 627 & 627 & 582 & 627 & 583 \\
\hline
\end{tabular}
\caption{Descriptive statistics of different DEA models (social efficiency)}
\end{table}

\textsuperscript{49} Table is too big to report and will be available on request.
Table 5 (continued) Descriptive statistics of different DEA models (Financial efficiency)

<table>
<thead>
<tr>
<th></th>
<th>Input oriented model</th>
<th>Non-oriented (C)</th>
<th>Output oriented model</th>
<th>Non-oriented (V)</th>
</tr>
</thead>
<tbody>
<tr>
<td>BCC</td>
<td>660</td>
<td>660</td>
<td>660</td>
<td>660</td>
</tr>
<tr>
<td>CCR</td>
<td>660</td>
<td>660</td>
<td>660</td>
<td>660</td>
</tr>
<tr>
<td>S.E</td>
<td>0.97</td>
<td>0.08</td>
<td>0.75</td>
<td>0.75</td>
</tr>
<tr>
<td>SBM-super efficiency</td>
<td>1.00</td>
<td>1.42</td>
<td>1.00</td>
<td>1.00</td>
</tr>
<tr>
<td>No. of DMUs</td>
<td>660</td>
<td>619</td>
<td>619</td>
<td>619</td>
</tr>
<tr>
<td>Average</td>
<td>0.78</td>
<td>0.75</td>
<td>0.78</td>
<td>0.75</td>
</tr>
<tr>
<td>SD</td>
<td>0.15</td>
<td>0.14</td>
<td>0.15</td>
<td>0.14</td>
</tr>
<tr>
<td>Maximum</td>
<td>1.00</td>
<td>1.42</td>
<td>1.00</td>
<td>1.00</td>
</tr>
<tr>
<td>Minimum</td>
<td>0.32</td>
<td>0.23</td>
<td>0.24</td>
<td>0.55</td>
</tr>
<tr>
<td>Inefficient DMUs</td>
<td>582</td>
<td>619</td>
<td>582</td>
<td>619</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

We employ slacked based super efficiency model to conduct the data envelopment analysis as suggested by Tone (2002) in addition to the more traditional approach attributed to the Banker et al. (1984) and Charnes, Cooper, & Rhodes (1978) models. Descriptive statistics of these models are presented in Table 6 and shows that among 660 observations for six years of 110 MFIs, 627 and 583 are inefficient in both orientation of SBM-super efficiency non-oriented constant and variable return to scale models respectively.

Furthermore Table 6 provides an overview of average DEA efficiency scores of DEA conventional models (BCC and CCR models) and SBM super efficiency model (non-oriented constant and variable). The average scores are 0.65 and 0.58 for both orientations so it can be conclude that 35% of input can be decreased or same amount of output can be increased with existing level of resources to get full efficiency from these institutions. Overall technical efficiency (CCR) and pure technical efficiency (BCC) are same in both orientation but pure technical efficiency is greater than scale efficiency that implies that most of the technical inefficiency of MFIs is due to scale inefficiency. Furthermore most of the MFIs in table 6 show the decreasing return to scale in our sample years. Some are enjoying the economies of scale but they are not more than 5 percent of the sample. Even big MFIs in study.
sample such as Grameen bank and BRAC are also not enjoying the economies of scale.

Table 6: Average scores of SBM super efficiency (Social)

<table>
<thead>
<tr>
<th>Country specific MFIs</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bangladesh</td>
<td>0.442</td>
<td>0.451</td>
<td>0.360</td>
<td>0.383</td>
<td>0.405</td>
<td>0.408</td>
<td>0.408</td>
</tr>
<tr>
<td>India</td>
<td>0.445</td>
<td>0.418</td>
<td>0.434</td>
<td>0.443</td>
<td>0.490</td>
<td>0.435</td>
<td>0.444</td>
</tr>
<tr>
<td>Nepal</td>
<td>0.393</td>
<td>0.420</td>
<td>0.404</td>
<td>0.398</td>
<td>0.392</td>
<td>0.382</td>
<td>0.398</td>
</tr>
<tr>
<td>Pakistan</td>
<td>0.407</td>
<td>0.416</td>
<td>0.375</td>
<td>0.376</td>
<td>0.293</td>
<td>0.273</td>
<td>0.357</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>0.302</td>
<td>0.363</td>
<td>0.287</td>
<td>0.409</td>
<td>0.392</td>
<td>0.438</td>
<td>0.365</td>
</tr>
<tr>
<td>Large</td>
<td>0.440</td>
<td>0.499</td>
<td>0.410</td>
<td>0.497</td>
<td>0.508</td>
<td>0.526</td>
<td>0.480</td>
</tr>
<tr>
<td>Small</td>
<td>0.416</td>
<td>0.411</td>
<td>0.389</td>
<td>0.396</td>
<td>0.404</td>
<td>0.378</td>
<td>0.399</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Big and small size MFIs</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large</td>
<td>0.440</td>
<td>0.499</td>
<td>0.410</td>
<td>0.497</td>
<td>0.508</td>
<td>0.526</td>
<td>0.480</td>
</tr>
<tr>
<td>Small</td>
<td>0.416</td>
<td>0.411</td>
<td>0.389</td>
<td>0.396</td>
<td>0.404</td>
<td>0.378</td>
<td>0.399</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Profitable vs non-profitable MFIs</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profitable</td>
<td>0.349</td>
<td>0.343</td>
<td>0.288</td>
<td>0.324</td>
<td>0.331</td>
<td>0.306</td>
<td>0.324</td>
</tr>
<tr>
<td>Non-profitable</td>
<td>0.431</td>
<td>0.436</td>
<td>0.409</td>
<td>0.423</td>
<td>0.432</td>
<td>0.412</td>
<td>0.424</td>
</tr>
</tbody>
</table>

Table 7 presents the average SBM super efficiency scores interpretation according to our hypotheses. When we look at efficiency level in separate countries of our data sets it is according to our hypothesis that although MFIs are working in almost same economic environment but their efficiency level may vary from each other. Although the difference is not much i.e. Indian MFIs are at 44% efficiency level and Pakistani MFIs are at 36% efficiency level.

Secondly we want to see the efficiency level of small sized and big sized MFIs. In same table 7 we can see that big sized institutions are more efficient (48%) as compare to small sized that are only 40% efficient. So we can say that big sized MFIs in South Asia are at high level of social efficiency in comparison to small sized MFIs.

Thirdly we want to see the level of efficiency difference between profitable and non-profitable MFIs and it can be seen that non-profitable MFIs are more social efficiency in comparison to profitable MFIs.
Table 7 Average scores of SBM super efficiency (Financial)

<table>
<thead>
<tr>
<th>Country specific MFIs</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bangladesh</td>
<td>0.048</td>
<td>0.086</td>
<td>0.005</td>
<td>0.005</td>
<td>0.046</td>
<td>0.041</td>
<td>0.039</td>
</tr>
<tr>
<td>India</td>
<td>0.224</td>
<td>0.055</td>
<td>0.116</td>
<td>0.093</td>
<td>0.163</td>
<td>0.112</td>
<td>0.127</td>
</tr>
<tr>
<td>Nepal</td>
<td>0.064</td>
<td>0.022</td>
<td>0.072</td>
<td>0.009</td>
<td>0.005</td>
<td>0.057</td>
<td>0.038</td>
</tr>
<tr>
<td>Pakistan</td>
<td>0.173</td>
<td>0.087</td>
<td>0.094</td>
<td>0.072</td>
<td>0.005</td>
<td>0.004</td>
<td>0.027</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>0.010</td>
<td>0.139</td>
<td>0.131</td>
<td>0.136</td>
<td>0.149</td>
<td>0.261</td>
<td>0.137</td>
</tr>
<tr>
<td>Big and small size MFIs</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Large</td>
<td>0.116</td>
<td>0.010</td>
<td>0.008</td>
<td>0.083</td>
<td>0.188</td>
<td>0.161</td>
<td>0.094</td>
</tr>
<tr>
<td>Small</td>
<td>0.131</td>
<td>0.076</td>
<td>0.089</td>
<td>0.052</td>
<td>0.068</td>
<td>0.069</td>
<td>0.081</td>
</tr>
<tr>
<td>Profitable vs non-profitable MFIs</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profitable</td>
<td>0.098</td>
<td>0.042</td>
<td>0.056</td>
<td>0.031</td>
<td>0.094</td>
<td>0.055</td>
<td>0.062</td>
</tr>
<tr>
<td>Non-profitable</td>
<td>0.150</td>
<td>0.084</td>
<td>0.094</td>
<td>0.073</td>
<td>0.076</td>
<td>0.098</td>
<td>0.096</td>
</tr>
</tbody>
</table>

Robustness test

In previous section we described the DEA models are used while using input oriented model and non-oriented models for SBM-super efficiency model. To interpret the results in all perspective we also check for output oriented model for BCC and CCR model and SBM-super efficiency non-oriented model by using variable returns to scale. We also run the Man-Whitney test for comparing the efficiency scores. Mann-Whitney test is often used to compare the average values (mean and median) of two independent normal distributions (Fagerland & Sandvik, 2009).

Mann-Whitney Test and CI: BCC, CCR

<table>
<thead>
<tr>
<th>N</th>
<th>Median</th>
</tr>
</thead>
<tbody>
<tr>
<td>BCC</td>
<td>660</td>
</tr>
<tr>
<td>CCR</td>
<td>660</td>
</tr>
</tbody>
</table>

Significance level: 0.000

The test shows that the difference between our two independent population (CCR and BCC scores) is significant at 1% level.

CONCLUSION

We use panel data (annual observations from 2005 to 2010) to evaluate the efficiency level of 110 MFIs of South Asian countries and Data Envelopment Analysis (DEA) methodology to measure the efficiency scores in context of social efficiency and financial efficiency. Social efficiency is measured by outreach indicator
of number of active borrowers and financial efficiency is measured by operational self-sufficiency indicator. We use CCR (CRS) and BCC (VRS) models to assess the pure technical, scale efficiency and SBM-Super efficiency model to get the efficiency scores at first stage of our analysis.

By using OLS and Tobit regression the key determinants are trying to identify that is causing variations in microfinance efficiency and cannot be clearly understood from looking only at efficiency scores. We also cater the individual differences between institutions (like size of the institutions, regulated vs unregulated and profitable vs non-profitable institutions) and countries differences (like living standard of people, gross domestic product and inflation level) and hypothesize that environmental differences related to factors such as regulation and country income level are a possible explanation of the efficiency differences between MFIs in different countries.

So far we only get social efficiency scores so the results are interpreted accordingly. In social efficiency we get efficiency scores from pure technical efficiency, scale efficiency and SBM-super efficiency models and find that overall 88 percent of MFIs are inefficient. When we look at the institutional and environmental differences it shows that big in size institutions are relatively efficient than small size institutions and non-profitable institutions are also positively relate with efficiency scores. In country differences all countries are negatively related to efficiency scores but they appear statistically insignificant in most of the cases.

As mentioned above we also want to evaluate the financial efficiency that is only applying the different sets of inputs and outputs. After getting these scores we can compare with our existing results and then can make conclusion about tradeoff between these objectives of MFIs.


**APPENDIX**

**Variables identified for OLS and Tobit models**

<table>
<thead>
<tr>
<th>Category</th>
<th>Variables</th>
<th>Descriptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Country variables</td>
<td>Dummy of Bangladesh</td>
<td>For five countries we have created four dummies of dbang, dindia, dnepal, dpak and put dsril as dummy variable.</td>
</tr>
<tr>
<td></td>
<td>Dummy of India</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Dummy of Nepal</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Dummy of Pakistan</td>
<td></td>
</tr>
<tr>
<td>Institutional variables</td>
<td>Dummy of non-profitable institutions</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Dummy of regulated</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Size</td>
<td>The natural logarithm of total assets</td>
</tr>
<tr>
<td></td>
<td>Dummy of mature institutions</td>
<td>As categorised in MIX market data, age is divided in new, young and mature institutions. Dyoung (less than 8 years old) and dmature (greater than 8 years old) dummies are created for age and put dyoung dummy as a base dummy.</td>
</tr>
<tr>
<td>Environmental variables</td>
<td>Growth in GDP</td>
<td>Size of the economy of the country in current US dollars in billions.</td>
</tr>
<tr>
<td></td>
<td>Inflation</td>
<td>Inflation, consumer prices (annual %)</td>
</tr>
<tr>
<td></td>
<td>Human development indicator</td>
<td>Proxy of quality of life</td>
</tr>
<tr>
<td>Outputs</td>
<td>Number of active borrowers</td>
<td>The number of credit clients at the end of each period as an outreach indicator</td>
</tr>
<tr>
<td></td>
<td>Gross loan portfolios</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Financial revenues</td>
<td></td>
</tr>
<tr>
<td>Inputs</td>
<td>Operating expenses</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Personnel</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Financial expenses</td>
<td></td>
</tr>
</tbody>
</table>
Microfinance Efficiency - A Case Study of Vietnam

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ABSTRACT

Microfinance plays an important role in the financial development and economic growth of developing countries by providing small-scale loans to low-income classes. A developing microfinance literature documents the apparent efficiency trade-offs between financial and social development goals. The mission drift from microfinance institution's initial focus on social development to profitability potentially undermines the industry's validation and sustainability. Investigating the trade-offs between social and financial efficiency is thus of central importance in microfinance and the motivation for this study.

The research investigates the correlation between social performance and financial performance to evaluate the efficiency of microfinance in a case study of Vietnam. We utilise Data Envelopment Analysis and data collected from the Microfinance Information Exchange over the period 2006-2012. Building upon existing theories on microfinance efficiency in cross-country analysis, our empirical investigation provides in-depth analysis of the relationship between the competing social and financial goals of microfinance institutions operating in Vietnam.

KEYWORDS

Microfinance efficiency, microfinance in Vietnam, social performance and financial performance, trade-offs in microfinance, mission drift, Vietnamese microfinance institutions, MFIs …
INTRODUCTION
Countries with larger financial institutions and more active stock markets, grow faster than countries with undeveloped financial systems (Levine, 1997). Indeed, the author proves that the development of financial markets and institutions is an essential component of economic growth. More specifically, well-developed financial systems stimulate economic growth by reducing information asymmetries and transaction costs. As a result, well-performing financial systems boost the economic growth through better risk sharing and more efficient reallocation of capital sources. Levine (1997) argues that financial development not only crucially contributes to speeding up economic growth, but is also a good predictor of future economic growth. Therefore, the financial system is a fundamental and important feature in economic development. The financial services available to the poor are, however, extremely limited due to high costs, high risk and inconvenience, which is more serious in developing countries. This leads to the question: How can finance be better developed?

Barr (2005) contends that countries can encourage the relation between financial development and economic growth by developing microfinance. The author also explains that microfinance can promote financial markets by contributing directly to poverty alleviation in developing countries. Poverty reduction is not only a social problem, but is also a very urgent issue in maintaining a stable economy. As a critical means to alleviating poverty, microfinance plays an important role in financial development by addressing credit constraints in the low-income class (Barr, 2005).

Microfinance is not about focusing exclusively on an anti-poverty tool, but rather it is an integral factor in the development strategy of both the society and economy. Microfinance provides capital for small businesses to replace their old technologies and raw equipment in order to improve productivity. The provision of microfinance can improve the operation of these small businesses and in turn create more jobs in communities through supporting local enterprises. Microfinance enhances the quality of life and the financial ability of millions of small entrepreneurs, local labourers and communities (Banking with the Poor Network, 2008). The impact of microfinance thus benefits both the economy and social welfare in the long term.
Poor people have an on-going high demand for financial services; nevertheless, they have limited ability to access to traditional financial sector. Low-income people, like everyone else, not only need to raise and educate their children, but also finance their businesses. The financial services available to the poor are; however, often very limited. The most important factor is that the scale of loans is too small and it is not profitable for banks to take risks lending money to the poor. Moreover, traditional financial institutions have a high standard in choosing their clients, who need to meet all the conditions of having stable incomes, credit guarantees and collateral. Therefore, most low-income people cannot access adequate financial services. This leads to a serious problem for society. The poor become poorer through successive generations. This urgent problem has led to the appeal for microfinance, which is defined as “the provision of financial services to low-income poor and very poor self-employed people” (Otero, 1999, p. 8).

Microfinance, as a useful way of helping the poor, plays an essential role in achieving sustainable development in the society and economy. The core idea of microfinance is the provision of small loans for basic financial capabilities, or a focus on financing small capital-starved businesses (Cull, Demirguc-Kunt, & Morduch, 2009). The loan amount is small enough to finance a family’s small-scale business or help farmers invest in new technologies to increase productivity. Microfinance provides modest loans, of about 100 USD or less, that are extremely critical to the recipients (Sengupta & Aubuchon, 2008). For example, a mother can borrow 50 USD to buy a sewing machine for a small business. She makes clothes to earn money and then fund her children through school, which in turn benefits both herself and her family, and society. Through microfinance, such families now have access to reliable financial services. These families have the ability to cope with basic financial needs in order to expand their opportunities to get out of the poverty trap (Cull et al., 2009). Microfinance normally serves one member of the household, but its benefits usually spread effects to the rest of the family, and also provide social value.

Microfinance institutions (MFIs) are unique financial institutions. MFIs “focus on providing credit to the poor who have no access to commercial banks, in order to reduce poverty and to help the poor with setting up their own income generating
businesses” (Hermes, Lensink, & Meesters, 2011, p. 938). Some microfinance institutions have a stronger focus on providing support for social development. Others acknowledge more directly that they have to generate a surplus from their operations in order to establish a financially sustainable business (Crawford, Skully, & Tripe, 2011).

According to Ledgerwood (1998), MFIs are part of a special financial sector, which include both financial intermediation and social intermediation. Specifically, MFIs offer several financial services, such as credit, payment services and insurance for poor people, who are excluded from the formal financial sector. MFIs’ clients are usually poor and low-income people without tangible security for the loan, such as small-scale farmers, or women in minority ethnic groups. These clients may be illiterate, or live in urban slums; therefore, it is very difficult to obtain client information. The loan amounts required are also too small to be considered attractive investments for traditional financial institutions. As such, the cost per dollar lent will be very high. Microfinance institutions need to charge sufficient interest rates to cover operational costs, credit defaults and inflation. MFIs also provide social services, including group formation, development of self-confidence and financial literacy training. These social services and trainings are very important to enhance loan management skills for clients and knowledge for productivity improvement (Ledgerwood, 1998).

Back to the evolution of microfinance, the first microcredit emerged when Muhammad Yunus, the 2006 Nobel Peace Prize’s recipient, lent 27 USD to 42 bamboo stool makers. Since then microfinance has developed greatly since Grameen Bank was launched to provide financing to the poor in Bangladesh in 1976. The Grameen Bank has high levels of performance and becomes a private sector bank, with over 5.5 million members and greater than 5.2 billion USD in dispersed loans. Microfinance has quickly spread to cover five continents and a large number of countries, operating in both rural and urban markets. Therefore, more and more stakeholders, including governments, social activists and investors have begun to pay attention to the field of microfinance (Sengupta & Aubuchon, 2008). The efficiency of microfinance is one of the most controversial issues for interested
parties. Although microfinance has existed for many centuries, the industry is facing contested questions and challenges in terms of reaching efficiency.

Our research questions are motivated by the intense debate regarding the efficiency of microfinance. The efficiency of microfinance is the most widely debated topic for researchers who are interested in this area of research. Although prior studies have made significant efforts, more work is needed in determining how microfinance can attain efficiency. Previous empirical studies utilise worldwide data and emphasise that microfinance efficiency depends on each individual situation. Therefore, a specific case study at country level is necessary to more deeply analyse the relation between MFIs social goals and financial goals. This report empirically examines the social and financial impact of Vietnam MFIs. As discussed above, the potential impact of microfinance is enormous, but is still largely unrealised. Many researchers have studied bank efficiency, but few have focused on microfinance efficiency. Therefore, our motivation in doing this research is to assist readers in building an insightful framework of microfinance and to contribute to microfinance efficiency improvement.

Furthermore, the deteriorating performance in the microfinance industry is another motivation for researchers to investigate the efficiency of MFIs. During the financial crisis in 2008, MFIs experienced a sharp fall in credit quality and growth, leading to a significant increase in the cost of service provision (Chen, Rasmussen, & Reille, 2010). This led the public to be suspect of the sustainability of microfinance. MFIs likely pay too much attention to financial efficiency at the expense of social efficiency. It is of concern that this factor leads to a neglect of social efficiency. Whether there is a trade-off between financial efficiency and social efficiency is an important consideration for microfinance. Therefore, the paper attempts to measure how financial success relates to social success and examines the basic understanding of microfinance-responsibility for sustainable development.

The paper’s contribution is an indispensable piece in the broader picture of the microfinance industry. The paper provides a clear overview of microfinance, outlines its roles in financial markets and evaluates the factors affecting the efficiency of
microfinance. A country’s case study provides more detail to supplement worldwide microfinance literacy. The purpose is to provide an outlook on the country level to examine the existing theories on the key concept, which is microfinance efficiency. The concept of efficiency sheds new light on how we view the future development of microfinance and lead MFIs in the right direction.

The first research question is; what is financial performance and social performance in microfinance? The second research question is; how do we investigate the correlation between these two metrics through evidence in Vietnamese MFIs? The financial performance and social performance metrics are examined from the efficiency perspective. The central aim of the paper is to compare these two dimensions and test the correlation between financial performance and social performance.

The paper is organised as follows: Section 2 introduces the prior literature from the perspectives of social performance and financial performance. Section 3 highlights the milestones in the evolution of microfinance in Vietnam. Section 4 reports a description of DEA methodology and sources of data. Section 5 shows the findings and their interpretations. Section 6 demonstrates the implications of the results and potential areas for future research.

LITERATURE REVIEW

This section introduces the theoretical foundations by reviewing the concept of social and financial performance, the ultimate goal, the current trend and the trade-offs in microfinance.

Social performance and financial performance in microfinance

In general, microfinance focuses on two perspectives; social performance, and financial performance. The relation between social and financial performance is more complex than is obvious at first glance. According to Gutiérrez-Nieto, Serrano-
Cinca, and Molinero (2007), one critical issue is how to measure financial and social performance in order to assess MFI's overall efficiency.

Social performance is the basic and original goal of microfinance. According to Microfinance Gateway’s web site, social performance is defined as “the effective translation of an organization’s social mission into practice”. Social performance not only relies entirely on the outcomes, but also takes into consideration the process of obtaining those outcomes (Woller, 2007). Social performance consists both of the breadth of outreach and the depth of outreach (Quayes, 2012). Microfinance’s goal is to provide financial services to as many low-income clients as possible. Furthermore, the poorer the borrowers are, the greater the depth of outreach. According to Sen (2008), it is appropriate to use the number of clients served as a long term social outreach measurement.

Financial performance is another goal of all MFIs in order to reach self-sufficiency. Therefore, when we discuss the efficiency of microfinance, we also need to examine its financial performance. Not surprisingly, the incentives for better financial performance have rapidly increased the attainment of self-sufficiency. Furthermore, the motivation to reach financial performance is stronger when the microfinance industry is confronted with the pressure of eradicating dependence on subsidies (Quayes, 2012). Indeed, MFIs that achieve financial sustainability can stand on their own, operate more efficiently and cover all their expenses (Tucker & Miles, 2004). The loan portfolio is the major revenue-generating asset, so the gross loan portfolio is a key determinant of financial measurement.

Social performance and financial performance are two inextricably linked dimensions of any microfinance institutions. However, the methods for reaching these social and financial goals differ for each MFI. According to Crawford et al. (2011), MFIs may prefer to focus on either profitability, or social goals. Some are socially focused MFIs, which mainly focus on their social impact, serving as many poor clients as possible, or diversifying products to meet client demands. Other MFIs may primarily concentrate on new sources of high profitability to maximise shareholder value, rather than social impacts (Crawford et al., 2011).
The ultimate goal of microfinance

The uniqueness of MFIs is mainly due to microfinance’s mission and ultimate goal being distinguished from that of the traditional financial sector. So what is microfinance’s ultimate goal? The goal of microfinance is contested issue of a range of conflicting opinions, e.g. poverty alleviation (Crabb, 2008; Hishigsuren, 2007; Mersland & Strøm, 2010) or profitable generation by providing services to the poor (Hudon, 2009). Can MFIs balance the competing goals of maximising the wealth of their investors and loyally serving as many low-income people as possible?

From its origins in the mid-1970s, microfinance’s objectives have focused on establishing financial services for the poor. According to Robinson (2001), microcredit schemes are built on the standpoint of humanitarian and developmental plans to reach the “poorest-of-the-poor”. Microfinance, however, does not directly give money to the poor as a subsidy, but instead offers them microloans to set up their own businesses. It is important to understand the difference between subsidised aid and microfinance’s products and services. Subsidised supports are provided to the poor with an assumption that these poor are unable to save and repay loans. On the contrary, microfinance focuses on the poor as target clients who are potential depositors and have the ability to take out, and repay, their loans.

MFIs are not only social intermediators, but are also financial intermediators. Therefore, MFIs are built on very basic business principals and operate towards fully covering costs and making profits. However, the recent growth of the microfinance movement from socially oriented non-profit to for-profit institutions has led increasing concern among the public. The industry stands at a crossroads between increased commercialisation and increased philanthropic aid (Chamlee-Wright, 2005).

The current performance of MFIs leaves many unanswered questions about the efficiency of microfinance in reaching both social and financial goals. Do microfinance organisations focus too much on maximising shareholder value despite the cost of social responsibility, or do they support sustainable development in the
long-term? (Cull et al., 2009). Does mission drift arise in these MFIs? Whether MFIs should mainly target social goals, or profits, leads to some debate.

The threat of mission drift in microfinance institutions

Initially established as small NGOs in the 1970s, microfinance institutions are growing into sizable financial companies. First, this is a natural progression because small loans are quite costly in comparison with traditional bank loans. Second, subsidies are limited and are not always available to sustain the rapid growth of microfinance demands. Moreover, continuing subsidisation leads to fewer incentives for innovation and cost cutting. Microfinance institutions thus need to pursue profitability in order to be self-financing (Cull et al., 2009).

The trend of MFIs entering traditional finance markets leads to the neglect of their traditional goal of reaching as many poor clients as possible. This phenomenon is known as mission drift. Mission drift occurs when microfinance institutions chase after profit, rather than serving the poor. Microfinance institutions expect to expand their scale and financial profitability. MFIs gain in scale by concentrating on serving more wealthy clients in order to decrease the expenses per loan and increase the probability of repayment. To do this, microfinance institutions may abandon their poorest clients, who live some distance away in rural areas (Woller, 2007). Such microfinance institutions prefer to give loans to easily reached clients, who are considered to be less expense and less risky.

To some experts, the financially oriented movement of MFIs may bring potential threats to the industry. Mission drift increases the danger that the poorest in the society may again be excluded from financial services (Woller, 2007). For instance, Sam Daley-Harris, director of the Microcredit Summit Campaign said; “Now it is in great danger of being how well the investors and the microfinance institutions are doing and not about ending poverty” (Malkin, 2008).

An open question remains as to how MFIs combine financial sustainability with meeting social goals? Is there any trade-off between pursuing profit and reaching the
poorest customers, or can these two performance goals support and complement each other? The following section is a review of the previous research that has considered this problem.

**Argument regarding social efficiency and financial efficiency trade-offs**

Although the vast majority of microfinance studies focus on examining the relation between social and financial performance, there still exists distinct trends in these studies, as mentioned below.

Annim (2012) examines the question of whether there is trade-offs between the social performance and financial objectives of MFIs. His findings show that efficient MFIs, which focus mainly on social performance, reach more poor clients than those that have good financial performance. Hermes et al. (2011) find similar results of a negative relation between outreach and financial efficiency. The author further points out that financial efficiency may be obtained by abandoning the poorest borrowers.

In contrast, Quayes (2012) shows that the relation between depth of outreach and financial sustainability is positive by examining an extensive data set of 702 MFIs. The author suggests that the recent trend towards self-sufficiency of MFIs should be encouraged. This is in line with Mersland and Strøm (2010). The findings do not show any evidence of the existence of mission drift in the observed MFIs. This view is also supported by Louis, Seret, and Baesens (2013). Using a self-organising map methodology, the authors examine the social efficiency and financial performance of MFIs using a data set of 650 entities. Their findings show that there is no evidence for the trade-off hypothesis. The paper also gives evidence of a significant and positive relation between social performance and financial performance. In addition, Carlos Danel and Carlos Labarthe, the co-founders of Compartamos, argue that, the financial efficiency is transferred to their clients. The benefits are proven by a decrease in interest rates of 30% for five years and an increase of 780,000 clients within seven years (Malkin, 2008).
Using DEA to measure the efficiency of MFIs, Gutiérrez-Nieto, Serrano-Cinca, and Molinero (2009) find a positive, but low correlation between social efficiency and financial efficiency. In that paper, there is only one exceptional that the MFI is socially efficient, but financially inefficient. Following a case study of MFIs in Cambodia, Crawford et al. (2011) argue that financial and social performances are not mutually exclusive. The authors find that for-profit MFIs are as efficient as non-profit ones in their responsibility to reach the poor. The paper also indicates that larger MFIs are more efficient at serving poorer clients, while smaller ones are likely more profitable.

This paper’s contribution and its distinction from prior studies

The current research is developed from the above literature, but offers further clarification of microfinance efficiency by conducting a detailed analysis in Vietnam. More specifically, we investigate the efficiency of microfinance in more detail by adopting a case study approach in a specific country, instead of at the cross-country level. This research assesses the efficiency of microfinance through the case study of Vietnam by examining the social and financial performance of Vietnamese microfinance institutions.

There are several reasons why we choose to investigate microfinance efficiency in Vietnam. First of all, Vietnam’s geographical location is in Asia, which is the most active region for the microfinance industry. Specifically, Vietnam is one of the leading microfinance countries in Asia. According to Lapenu and Zeller (2001), Vietnam is listed in the top five Asian giants in terms of the absolute number of clients reached. Moreover, Vietnam is third largest in the distribution of loans and mobilisation of savings in terms of gross national product in the South East Asian region, behind Thailand and Bangladesh. Another factor worth mentioning is that Vietnam follows a socialist system, which distinguishes Vietnam from most countries around the world. Therefore, more research is needed on microfinance institutions in the potential market of Vietnam. This allows a comparison between Vietnam’s MFIs and MFIs located in different economic and political environments for future research.
By using Data Envelopment Analysis (DEA) methodology, this paper assesses the efficiency of 14 microfinance institutions in Vietnam through examining the correlation between social and financial performance. Moreover, the paper also examines how the above results change in Vietnam’s MFIs over time.

As mentioned, whether financial performance has negative, or positive, effects on the potential social outreach leads to conflicting views. Attitudes towards this problem will be analysed to form a reasonable conclusion through the evidence of Vietnam MFIs. The research question is formally stated as:

H₀: There is no trade-off between financial performance and social performance (positive correlation, or no relation).
H₁: There is trade-off between financial performance and social performance (negative correlation).

Before conducting the empirical study to test these hypotheses, we would like to briefly introduce some background and discussion regarding the prospects of microfinance in Vietnam.

**AN OVERVIEW OF MICROFINANCE IN VIETNAM**

**The role of microfinance in Vietnam**

During recent years, although Vietnam has experienced fast economic development, there is still a big gap between wealthier people and the poorest. According the Statistical Year Book of Vietnam (2007), over 70% of the Vietnamese population lives in rural areas and almost 12.3 million Vietnamese are under the poverty line of having an income of 1 USD per day. They are primary engaged in farming, irrigating agricultural production, raising livestock, or selling small products at local markets.

Microfinance in Vietnam is an effective and efficient traditional strategy for decreasing poverty. The appeal of microfinance is that it can reach a large
percentage of the population that has failed to access finance through the traditional financial system. According to Nghiem, Coelli, and Rao (2006), microfinance plays an essential role in contributing to poverty alleviation in Vietnam. In particularly, there is a significant increase in access to credit in rural areas, from 23% in 1993 to 40% in 1998 (Nghiem et al., 2006).

Suppliers of microfinance in Vietnam

Microfinance has been an important source of credit in the crowded, but fragmented, market in Vietnam. According to the microfinance industry report of Banking with the Poor Network (2008), there are three main categories of microfinance providers in Vietnam; the formal, semi-formal, and informal sectors.

There are three formal suppliers, which dominate the Vietnamese microfinance market. Firstly, the Vietnam Bank for Agriculture and Rural Development (VBARD) is the largest provider of various financial services in rural Vietnam. VBARD primarily provides loans for rural households and small to medium enterprises (SMEs) engaged in agricultural production in areas such as providing working capital, business expansion and reinvestment. Secondly, Vietnam Bank for Social Policy (VBSP) is tax-exempt and is guaranteed through the government's budget. VBSP provides lending at low interest rates to the poorest in the country. Thirdly, the network of 984 People’s Credit Funds (PCFs), established in 1993, provides a variety of financial products and services. Due to their small sizes and their closeness to borrowers, PCFs reach the large demand for credit in rural areas, although it has higher interest rates than the state-owned banks (Banking with the Poor Network, 2008).

The semi-formal sector includes international NGOs, social funds and government-recognised microfinance organisations from unregulated providers (MFOs). The Capital Fund for Employment of the Poor (CEP) is the oldest, largest and best-performing MFO, founded in 1991 by the Labour Confederation. CEP’s mission is to generate job opportunities for the urban poor in Ho Chi Minh City. The Tao Yeu May Fund (TYM) is a Grameen replicator established in 1992 by the Vietnam Women’s
Union (VWU) and exclusively serves women in the northern provinces of Vietnam. M7 is a network of 7 microfinance programmes covering 52 communes in 7 districts. In 2008, there were 25 semi-formal microfinance organisations, which reported their outreach and financial data (Banking with the Poor Network, 2008).

The informal sector includes moneylenders, savings and credit groups, relatives, friends and neighbours, and rotating savings and credit associations (ROSCAs). Private moneylenders are often local shop owners who offer flexible small loans at higher interest rates in comparison to other sectors. The loan rates from relatives, friends and neighbours mainly depend on the personal relationship. ROSCAs in Vietnam are called Ho/Hui, in which the organisers or members decide all rules and activities, such as interest rates and loan amounts (Lan & Tran, 2005).

**Characteristics of microfinance organisations in Vietnam**

The microfinance organisations (MFOs) in Vietnam have some distinguishing characteristics, which differentiate them from their Asian and global peers.

Microfinance in Vietnam is poverty-focused, rather than focused on business goals. The government views microfinance as an exclusively social tool to fight poverty. Therefore, the vast majority of microcredit is provided in the form of subsidised credit facilities for the poor. The VBSP is strongly subsidised by the government, which leaves less competitive room for other microfinance providers. The other microfinance providers are, thus, unattractive and have no passion to develop their products (Banking with the Poor Network, 2008).

Microfinance in Vietnam is highly concentrated. The two large state banks dominate the microfinance market. The lending interest rate charged is only weakly responsive to demand and supply conditions and, hence, has caused market segmentation (Banking with the Poor Network, 2008).

The legal and regulatory framework is incoherent in terms of the creation of licensed MFIs and restricts new entrants. Due to the lack of a legal framework, all MFOs in
Vietnam are owned by public, or semi-public, institutions and are heavily affected by government intervention. These MFOs link to mass organisations (MOs), are owned by the Women’s Union, or cooperate with international non-governmental organisations (INGOs).

The issues existing in Vietnam’s MFOs lead to inefficiencies, ranging from weak governance and structures, to little motivation to diversify products to meet demand. These MFOs are too small to attract lenders and face borrowing barriers due to the microfinance regulations. They, thus, rely on donations, or subsidies from the Women’s Union, including free rent, staff salaries, or even client monitoring activities. As a result, MFOs in Vietnam report lower expenses than those of their international peers. The MFOs also charge low interest rates. This is due to policies on the restriction of interest rates and tough competition with both the formal and informal sectors. The difference between deposit rates and loan rates received is insignificant and is not enough to cover all of the costs. Consequently, these MFOs eventually lack financial sustainability and have a very limited outreach over the long-term.

Another concern is that there is little direct contact and coordination among suppliers of microfinance. Although these microfinance providers serve the same market, they have little in common in the areas of basic business definitions, standardised measurements, or success indicators. Furthermore, the lack of market information sharing, such as no credit reference services, leads to constraints in transparency and the development of microfinance industry (Banking with the Poor Network, 2008).

In overview, the limited understanding of microfinance and the lack of a legal and regulatory framework has limited the growth of microfinance in Vietnam. Over a long period, Vietnam has applied financial restriction policies, such as constraints on interest rates and lines of credit. These conservative policies have constrained the development and sustainable growth of the microfinance industry, as well as having negative effects on economic development.

In following sections, the paper examines the in-depth picture of microfinance efficiency through data regarding 14 microfinance organisations in Vietnam. More
details and description of these Vietnamese MFIs are shown in Table 1 (see Appendix 1).

**METHODOLOGY AND DATA COLLECTION**

**Introduction to Data Envelopment Analysis (DEA)**

In this research, we utilise Data Envelopment Analysis (DEA), a powerful efficiency analysis technique, to measure the efficiency of Vietnamese MFIs.

Data Envelopment Analysis (DEA) is a nonparametric technique based on a linear programming model involved in relative efficiency analysis. Farrell (1957) first proposed the piecewise surface approach to frontier estimation. Based on the idea of a piecewise frontier, over two decades later, Charnes, Cooper, and Rhodes (1978) introduced Data Envelopment Analysis methodology (DEA). DEA utilises enveloping observations to identify a frontier that is set as the benchmark to evaluate all entities in the set of observations (Cooper, 2006). The applications of DEA include a wide range of contexts, ranging from business firms such as banks, to non-profit organisations such as government projects, schools, or hospitals.

The efficiency and inefficiency measured using DEA gives a relative comparison among the observed decision making units in the same data set. Charnes et al. (1978) uses the term *decision making units* (DMUs) to name the observed entities that use similar inputs to produce similar outputs. Any DMU is efficient as long as it lies on the envelopment surface, or efficiency frontier. The frontier is constructed as the piecewise linear combinations that connect the set of the best-practice DMUs (Cooper, 2006). Other DMUs that fall below the frontier, or inside the envelopment area, are inefficient. The efficiency score demonstrates the performance of each DMU, ranging from 0 (not efficient) to 1 (fully efficient).

DEA is an important and advanced approach in efficiency analysis. DEA measures the efficiency of a DMU’s current performance. Furthermore, DEA indicates
adjustment details for inefficient units to enable them to reach the frontier in terms of improvements in their inputs and outputs (Banker, Charnes, & Cooper, 1984). The degree of inefficiency is estimated as the distance between the observed points and the best practice frontier.

DEA has several advantages in efficiency measurement. First, DEA does not require any assumption about the functional form relating to the inputs and outputs. Stolp (1990) points out that data speak for themselves directly, instead of being determined by an average of some regression functional forms. Second, DEA is a better fit for the measurement of efficiency in a multiple outputs/multiple inputs setting, whilst the regression approach only takes into account a single input. Similar to the parametric measure, DEA requires a minimal degree of freedom from the data. According to Sinuany-Stern, Mehrez, and Barboy (1994), the sample size is at least three times larger than the sum of the number of inputs and outputs.

The main limitation of DEA is its inability to take into account measurement errors. This issue can be addressed through various methods, such as sensitivity analysis with different choices of input-output, bootstrapping and exclusion of potential outliers (Cooper, 2006).

**Constant returns to scale model (CRS)**

A fundamental and essential DEA model is constant returns to scale (CRS), as introduced by Charnes et al. (1978). CRS is a simple model without any functional forms, conditions, or requirement of weights for the inputs and outputs. The main assumption under the CRS model is that all DMUs operate under an optimal efficiency scale.

According to Charnes et al. (1978), any DMU with a maximum comparative ratio of outputs to inputs, as shown in Equation (1), is efficient.

\[
\max h_0 = \frac{\sum_{r=1}^{s} u_r y_{r0}}{\sum_{i=1}^{m} v_i x_{i0}} \quad (1)
\]

subject to:
\[
\frac{\sum_{r=1}^{s} u_r y_{rj}}{\sum_{i=1}^{m} v_i x_{ij}} \leq 1; \quad j = 1, \ldots, n \\
u_r, v_i \geq 0; \quad r = 1, \ldots, s; \quad i = 1, \ldots, m.
\]

where
- \( m \) and \( s \) are the number of inputs and outputs, respectively;
- \( x_i \) and \( y_r \) are the amount of inputs and outputs, in which \( x_i \) is positive and \( y_r \) cannot be negative;
- \( v_i \) and \( u_r \) are the weight of inputs and outputs, respectively; and
- \( j = 1, \ldots, n \) is the number of DMUs.

Equation (1) can be converted from the ratio form to a linear programming form, as in Equation (2) below:

\[
\text{max } h_0 = \sum_{r=1}^{s} u_r y_{r0} \tag{2}
\]

subject to:

\[
\sum_{i=1}^{m} v_i x_{i0} = 1
\]

\[
\sum_{r=1}^{s} u_r y_{rj} - \sum_{i=1}^{m} v_i x_{ij} \leq 0
\]

\[
u_r, v_i \geq \varepsilon
\]

The CRS Equation (2) shows the maximisation of outputs when controllable inputs and constant returns to scale are applied. The variable weights \( u \) and \( v \) have to satisfy non-Archimedean conditions \( u, v \geq \varepsilon > 0 \) (Cooper, 2006).

**Variable returns to scale model (VRS)**

Banker et al. (1984) extend the basic CRS model to create the variable returns to scale (VRS) model. The VRS model introduces a new variable to separate technical efficiency and scale efficiency without breaking the underlying concepts of DEA (Banker et al., 1984). Rao, O'Donnell, Battese, and Coelli (2005) point out that VRS can avoid the limitation of CRS, which is only appropriate when all firms operate at an optimal scale. The VRS allows the calculation of technical efficiency to detach the
scale effects. The VRS measures pure technical efficiency, as shown in Equation (3):

$$\max h_0 = \sum_{r=1}^{s} u_r y_r + c_0$$

(3)

subject to:

$$\sum_{i=1}^{m} v_i x_{i0} = 1$$

$$\sum_{r=1}^{s} u_r y_{rj} - \sum_{i=1}^{m} v_i x_{ij} - c_0 \leq 0$$

$$u_r, v_i \geq \epsilon$$

The difference between variable returns to scale and constant returns to scale is represented by the additional variable $C_0$. $C_0$ illustrates return to scale prospects, which shows whether operations were increasing, constant, or decreasing, to scale.

**Input and output orientations**

The input-oriented model focuses on minimising inputs to produce the same amount of outputs. On the contrary, the output-oriented process targets increasing the level of outputs from the given inputs. The paper employs an input-oriented process to measure the efficiency of MFIs. This is also consistent with the work of Nghiem et al. (2006) that examine Vietnamese microfinance. The efficient MFIs are those using minimal inputs to reach the same amount of outputs, while the inefficient MFIs have to lessen their inputs to reach the same level of outputs.

**Data and variable selection**

Collecting data is one of the most essential steps to conducting any empirical study. Different sources may provide quite different datasets, leading to analysis problems, or inaccurate results. Therefore, we gather data from the Microfinance Information Exchange (MIX) database, a global web-based microfinance information platform. Given its widespread use and reliability, the MIX database is widely used by microfinance researchers. Therefore, we believe the available data is more accurate, and contains more limited errors, than other sources. Despite this level of use and
the reliability of its data, however, the MIX still has several missing indicators, such as the number of depositors in Vietnamese MFIs.

Significant differences in characteristics, operational systems and scale in the three sectors of Vietnamese microfinance are reasonable reasons to conduct separate research for each sector. Therefore, we only observe the semi-formal entities, including mass organisations, NGOs and specialised microfinance funds, in this study. Though there are 25 MFIs in the semi-formal sector, the limited data reduces the test sample to just 14 MFIs.

Due to the limited data, as well as the incomprehensiveness of the information across some years, we separate the data into two panels. Panel 1 includes 11 MFIs and the testing is focused on the period from 2006 to 2012. For Panel 2, I add three more MFIs to Panel 1; Dairu, AnhChiEm, and MCDI; with the data in this panel collected from 2009 to 2012.

Table 2: Data set divided into 2 panels

<table>
<thead>
<tr>
<th></th>
<th>Panel 1</th>
<th>Panel 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of MFIs</td>
<td>11</td>
<td>14</td>
</tr>
<tr>
<td>Period</td>
<td>2006-2012</td>
<td>2009-2012</td>
</tr>
<tr>
<td>Number of DMUs</td>
<td>77</td>
<td>56</td>
</tr>
</tbody>
</table>

Each DMU is a specific MFI observed in each year. For example, the microfinance institution TYM, which is observed in 7 years in Panel 1, will be transferred to 7 DMUs; namely, TYM 2006, TYM 2007 and TYM 2012.

Selecting suitable inputs and outputs is an important consideration. In the inputs-outputs selection process, the chosen indicators should cover all resources used and assess all performance measures. Moreover, the indicators have to be common to all units and capture environmental variation if necessary (Dyson et al., 2001). Therefore, we make a special effort to decide a set of appropriate inputs and outputs for application in the DEA.
The analysis uses three inputs; personnel, equity, and operating expenses; which reflect the costs and resources of MFIs in maintaining their daily business. The inputs are the same for both the social and financial efficiency models.

The outputs are important factors in evaluating the difference between social performance and financial performance. To maximise social performance, MFIs should reach as many people in low socio-economic groups as possible by using the least amount of operating expenses, staff and investment possible (Crawford et al., 2011). Therefore, we intend to use the number of borrowers and the number of depositors as outputs to measure social performance. During the data collection process, the data regarding the number of depositors is too limited and leaves many blanks in the dataset. we thus omit the indicator of depositors and observe only the number of borrowers, which is much more significant than the number of depositors.

A microfinance institution is financially efficient when it maximises profits for shareholders by creating the maximum possible financial income at the minimum cost. As gross loan values and deposit values are the main sources of revenue, it is reasonable to use these two indicators as the financial model’s outputs (Crawford et al., 2011).

The inputs and outputs sets for the two models (the social efficiency model and the financial efficiency model) are summarised as Figure 1.

**Figure 1: Inputs and outputs sets**

![Diagram of inputs and outputs sets]
Appendix 2, which includes Tables 3 and 4, provides the key statistics of each variable in these inputs and outputs sets. These statistics are summarised from the raw data collected from the MIX database.

RESULTS AND INTERPRETATION

We conduct the DEA models for two data sets; Panel 1 and Panel 2 (see Table 2 above and Appendix 2). The focus of this discussion has been on the results for Panel 1. We largely analyse the results from Panel 2 to check for robustness. For both panels, a set of three inputs is used in the measurement; operating expenses, equity and personnel. The output to measure social efficiency is the number of borrowers, while the outputs of the financial efficiency measurement are gross loans and deposits. The findings show that there are no significant differences in the two panels’ results.

Correlation between inputs set and outputs set

The results from Tables 5 and 6 show the relation between the inputs variable and the outputs variable in terms of financial efficiency and social efficiency. The correlations in both financial efficiency and social efficiency are highly positive, which suggests that expenses and sizes of MFIs drive the growth of both social and financial performance. No matter how the expenses of MFIs change, the number of borrowers, loans and deposits will change in the same direction.
In Table 5, the correlation between the three inputs and the two outputs is high, ranging from 0.864 to 0.986, which indicates that financial performance has a close and positive relation with the overall expenses of the MFIs. An increase in inputs leads to an increase in outputs. Specifically, when the MFIs increase their personnel, equity and operating expenses, this contributes to the growth in gross loans and deposits. Table 5 also shows that the correlation of deposits and inputs is lower than that of the gross loan portfolio and inputs. For example, the correlation between personnel and deposits is 0.864, while the correlation between personnel and gross loans is higher, at 0.9147. The difference suggests that loans are the priority focus for Vietnamese MFIs and that mobilising savings is a secondary service.

Table 6 below presents the correlation between the number of active borrowers and the same set of inputs as employed in Table 5. Generally, the outreach is highly correlated with the cost needed. This finding is consistent with the results shown in Table 5 in terms of financial performance. The correlations of the social efficiency scores are all above 0.91, which means that the three inputs of MFIs have a dramatic impact on the social outreach. In detail, the high correlation coefficients of the number of borrowers to the number of staff and operating expenses are 0.911 and 0.954, respectively. More specifically, the correlation between borrowers numbers and equity is 0.991 (very close to 1), which means that large MFIs with more equity are likely to reach more clients.
Tables 7 and 8 (see Appendix 3) are quite similar to Tables 5 and 6, but run the data for Panel 2 instead of that for Panel 1. The findings in Tables 7 and 8 are also consistent with the results of Tables 5 and 6. The correlation coefficients of the inputs and outputs in Tables 7 and 8 are, however, higher than in Tables 5 and 6. Additionally, the findings of Panel 2 illustrate a very high correlation between equity and both social outreach and financial outcomes. The high correlation scores are very close to 1, which indicates that among the three inputs, the equity of MFIs is the main factor in the growth of profitability and social outreach.

In short, the findings suggest that the increase in size of Vietnamese MFIs will benefit both social performance and financial performance. The large MFIs, which have a lot of staff and equity, seem to spend more on their broad activities, but also bring more profit and reach more clients.

**Financial efficiency and social efficiency across MFIs**

We employ the DEA methodology in this research to examine the relative performance of Vietnam’s 14 microfinance institutions. The research involved the construction of two separate models, one for financial efficiency, and one for social efficiency. We employ two DEA models, namely variable returns to scale (VRS) and constant returns to scale (CRS), to measure financial efficiency and social efficiency. The different in the CRS and VRS shows the existence of scale inefficiency.
Table 9: DEA results for MFIs in Vietnam

<table>
<thead>
<tr>
<th>MFIs</th>
<th>Financial Efficiency</th>
<th>Social Efficiency</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>VRS</td>
<td>CRS</td>
</tr>
<tr>
<td>Binhminh CDC</td>
<td>0.562</td>
<td>0.455</td>
</tr>
<tr>
<td>CEP</td>
<td>0.840</td>
<td>0.835</td>
</tr>
<tr>
<td>M7 Can Loc</td>
<td>0.936</td>
<td>0.921</td>
</tr>
<tr>
<td>M7 DB District</td>
<td>0.851</td>
<td>0.597</td>
</tr>
<tr>
<td>M7 DBP City</td>
<td>0.903</td>
<td>0.777</td>
</tr>
<tr>
<td>M7 Dong Trieu</td>
<td>0.930</td>
<td>0.929</td>
</tr>
<tr>
<td>M7 Mai Son</td>
<td>0.769</td>
<td>0.747</td>
</tr>
<tr>
<td>M7 Ninh Phuoc</td>
<td>0.695</td>
<td>0.574</td>
</tr>
<tr>
<td>M7 Uong bi</td>
<td>0.841</td>
<td>0.831</td>
</tr>
<tr>
<td>TCVM Thanh Hoa</td>
<td>0.516</td>
<td>0.503</td>
</tr>
<tr>
<td>TYM</td>
<td>0.801</td>
<td>0.750</td>
</tr>
<tr>
<td>Mean</td>
<td>0.786</td>
<td>0.720</td>
</tr>
</tbody>
</table>

Table 9 (see Appendices 4 and 5 for detailed calculations) provides the summary of the average financial and social efficiency scores. Generally, the mean scores of financial efficiency and social efficiency in both the VRS and CRS models are quite low, with the social performance scores being especially so. The minimum mean of the social efficiency measures from the CRS model is 67.1%, which is much lower than that of profitability efficiency at 72%.

In the financial efficiency testing, both the VRS and CRS models show that there are big differences among MFIs’ performance. For example, in the CRS model of financial efficiency (column 3), M7 Dong Trieu is by far the most efficient (score of 0.929), while the lowest score of 0.455 for Binhminh CDC is very inefficient.

As regards the social efficiency testing, the mean scores of the VRS and CRS models are even lower than for the financial efficiency test, which are 0.728 and 0.671, respectively. The results suggest that Vietnamese MFIs may be less focused on social performance than on financial performance. Another explanation may be
that the lower scores from the social efficiency model could be a dimensionality effect due to there being one output fewer in the social performance model than in the financial efficiency model.

Turning to the scale efficiency factor, the mean scores are 0.913 and 0.92 for financial efficiency and social efficiency, respectively. More especially, several MFIs have scale efficiency scores of approximately 0.98, or even 0.99, which indicates that these MFIs are operating quite close to the optimal scale (Rao et al., 2005).

The bar chart below indicates the VRS efficiency scores of financial performance and social performance in terms of the financial efficiency ranking. In general, there are large variations between financial performance and social performance (see Appendices 4 and 5 for more results regarding CRS and Scale efficiency).

**Figure 2: The VRS results ranked in order of Financial Efficiency**

We can see from the chart that most of the MFIs are more efficient in the area of financial performance than social performance. Vietnamese MFIs are likely to get more profits than they are to reach more clients. This is especially the case with M7 Can Loc and M7 Uong Bi, which both show a significant gap between financial and social performance, leading to a reversed conclusion for each performance measure.
Specifically, M7 Can Loc is financially efficient, with a high score of 0.936, but inefficient in terms of social performance, with a far lower score of 0.668.

In contrast, a few MFIs have social efficiency scores that significantly exceed their financial efficiency scores, including CEP, M7 Ninh Phuoc and TCVM Thanh Hoa. For example, CEP has the highest ranking in terms of social efficiency, but ranked sixth in terms of financial performance. It is not surprising that, taking MFI size into consideration, CEP serves the largest number of customers. CEP’s mean assets are USD32,416,684, which is far greater than the overall average of the samples at around USD4,256,452.

The results provide sound evidence that MFIs can achieve social efficiency and financial efficiency at the same time without the need for a trade-off. In reality, some MFIs exist that operate efficiently in both of these dimensions of microfinance. For instance, M7 DBP City and M7 DBP District, which ranked third and fourth in financial efficiency, are also in the top four MFIs for social efficiency. These cases demonstrate the possibility of a MFI gaining both financial and social efficiency at the same time.

Nevertheless, social and financial disparities still exist in some cases. M7 Can Loc and M7 Uong Bi are financially efficient MFIs, however, they lack efficiency in the area of social performance. M7 Can Loc is first in terms of financial efficiency, however, its social ranking is seventh out of the eleven MFIs observed in Panel 1.

The findings also include cases where MFIs perform poorly in the area of financial performance, as well as in the area of social performance. For example, TCVM Thanh Hoa and Binhminh CDC are inefficient in comparison to others in the sample. These MFIs should improve their management effectiveness to ensure efficient operation and long-term sustainability in terms of both financial and social performance.

Besides the main models; CRS and VRS; we also conduct super efficiency models for both panels to check the appropriateness of the samples in the data. The super
efficiency model may show that some DMUs have efficiency scores larger than 1. These super efficiency scores occur due to the restriction that each DMU cannot use itself as a reference (Rao et al., 2005). According to Andersen and Petersen (1993), the super efficiency model is useful to distinguish between DMUs on the frontier and identify any outliers. The results of the super efficiency model show that the highest super efficiency score is 1.315, which does not suggest any problems in the sample choice in terms of the data.

Table 11: Super Efficiency Results

<table>
<thead>
<tr>
<th></th>
<th>Panel 1-FP</th>
<th>Panel 1-SP</th>
<th>Panel 2-FP</th>
<th>Panel 2-SP</th>
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<tr>
<td>No. of DMUs</td>
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<td>77</td>
<td>56</td>
<td>56</td>
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<tr>
<td>Average</td>
<td>0.632</td>
<td>0.641</td>
<td>0.625</td>
<td>0.630</td>
</tr>
<tr>
<td>SD</td>
<td>0.306</td>
<td>0.257</td>
<td>0.338</td>
<td>0.227</td>
</tr>
<tr>
<td>Maximum</td>
<td>1.315</td>
<td>1.157</td>
<td>1.315</td>
<td>1.0</td>
</tr>
<tr>
<td>Minimum</td>
<td>0.061</td>
<td>0.276</td>
<td>0.030</td>
<td>0.310</td>
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</table>

CONCLUSION

The study analyses two dimensions of microfinance; financial performance and social performance. The report examines the correlation of social and financial performance to address the question of whether there is a trade-off between profitability and social outreach. More specifically, we conduct a case study of Vietnamese microfinance institutions to investigate the relation between social and financial efficiency.

Using DEA to measure the social efficiency and financial efficiency of each MFI, the results provide no evidence of the existence of a trade-off in the case of Vietnamese MFIs. As interpreted above, both financial performance and social performance have high positive correlations with the expenses and size of MFIs. According to the findings, Vietnamese MFIs' services focus mainly on making loans, rather than on mobilising savings. The results also suggest that large MFIs seem to achieve good outcomes in earning profits, as well as in reaching a large number of clients.
The paper gives the initial steps of the current development of MFIs in Vietnam by analysing their strengths, as well as the restrictions on their operation. The mean efficiency scores for both the social and financial perspectives are quite low. The findings suggest that Vietnamese MFIs have significant room to address the efficiency basics to achieve sustainable operations and effectiveness in reaching those in low-income group.

The average financial efficiency scores of MFIs are higher than the social efficiency scores, at least in the case of Vietnam. In detail, CEP, M7 DBP District and M7 DB City are sound MFIs that are managed well in terms of both social and financial efficiency. Some MFIs experience high levels of financial efficiency, but are inefficient in their social performance. These MFIs include M7 Can Loc, M7 Dong Trieu and M7 Uong Bi. Moreover, there are also a few MFIs that are inefficient in both their social and financial performance, including Binhminh CDC and TCVM Thanh Hoa.

A suggestion for Vietnamese MFIs is that they should make more effort to improve and generate value in both their financial and social performance. It is necessary to coordinate between policy and institutional management to move forward in the long term. From the policy point of view, government should develop comprehensive regulatory frameworks for microfinance activities and maintain a competitive market for all microfinance suppliers. Some recommendations for MFIs are that they should charge suitable interest rates in order to cover all of their costs and develop more services to meet the demand of clients.

The limitation of this report is that it is a new field for future researchers, with much more to be examined in this area. The sophistication of the analysis has been impacted by difficulties in obtaining data. Specifically, these MFIs comprise several non-financial services, with it being difficult to measure the efficiency of those activities. Indeed, we employ only a few variables to represent the social and financial perspectives, which may not reflect all of the factors in these two performance areas. Further research could use various other indicators, including quantitative and qualitative variables, to measure both financial performance and
social performance. This expansion is especially important in relation to the measurement of social performance. Moreover, Vietnamese microfinance is a potential market for further investigation. Future research could examine the efficiency of the formal sector, or the informal sector, in order to address the efficiency of Vietnam's microfinance sector as a whole.

REFERENCES


APPENDIX 1: Data availability for MFIs

Table 1: Profiles of 14 Vietnamese MFIs in the sample

<table>
<thead>
<tr>
<th>Microfinance Institution</th>
<th>Establish</th>
<th>Financial Products (aside from loans)</th>
<th>Non-financial services</th>
<th>Lending methods</th>
<th>Branches</th>
</tr>
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<tbody>
<tr>
<td>1 Anh Chi Em (ACE)</td>
<td>2007</td>
<td>Saving</td>
<td>Agricultural training Local technical support</td>
<td>Households</td>
<td>2</td>
</tr>
<tr>
<td>2 Binh Minh CDC</td>
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<td>Labour force support Community development</td>
<td>Groups</td>
<td>3</td>
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<tr>
<td>3 Capital aid fund for</td>
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<td>Saving</td>
<td>Labour force support Community development</td>
<td>Individuals</td>
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<td>employment of the poor (CEP)</td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4 M7 Can Loc</td>
<td>2004</td>
<td>Saving</td>
<td>Financial literature Business practices</td>
<td>Groups</td>
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</tr>
<tr>
<td>5 M7 DB District</td>
<td>1998</td>
<td>Saving</td>
<td>-</td>
<td>Groups</td>
<td>7</td>
</tr>
<tr>
<td>6 M7 DBP City</td>
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<td>Saving</td>
<td>Financial literature</td>
<td>Groups</td>
<td>3</td>
</tr>
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<td>7 M7 Dong Trieu</td>
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<td>Saving</td>
<td>Financial literature Business practices</td>
<td>Groups</td>
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</tr>
<tr>
<td>8 M7 Mai Son</td>
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<td>Saving</td>
<td>Financial literature Business practices</td>
<td>Groups</td>
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<tr>
<td>9 M7 Ninh Phuoc</td>
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<td>Saving</td>
<td>Financial literature Business practices</td>
<td>Groups</td>
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</tr>
<tr>
<td>10 M7 Uong Bi</td>
<td>2004</td>
<td>Saving</td>
<td>Financial literature Business practices</td>
<td>Groups</td>
<td>-</td>
</tr>
<tr>
<td>11 MF CDI</td>
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<td>Saving</td>
<td>Business practices Agricultural training</td>
<td>Groups</td>
<td>45</td>
</tr>
<tr>
<td>12 Tau Yeu May (TYM)</td>
<td>1992</td>
<td>Saving</td>
<td>Financial literature Skills training</td>
<td>Groups</td>
<td></td>
</tr>
<tr>
<td>13 TCVM Thanh Hoa</td>
<td>1998</td>
<td>Saving</td>
<td>Business practices Agricultural training</td>
<td>Groups</td>
<td>7</td>
</tr>
<tr>
<td>14 The Dairu Foundation (Dairu)</td>
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<td>Saving</td>
<td>Educational training Financial literature</td>
<td>Groups</td>
<td>3</td>
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Source: MIX data, MFIs’ website.
APPENDIX 2: Key statistics on Inputs and Outputs

Table 3: Statistics on Inputs and Outputs for Panel 1

<table>
<thead>
<tr>
<th>Statistics</th>
<th>Inputs</th>
<th>Outputs</th>
<th>Social Performance</th>
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<tbody>
<tr>
<td></td>
<td>Personnel (people)</td>
<td>Equity (USD)</td>
<td>Operating expense (USD)</td>
</tr>
<tr>
<td>Max</td>
<td>399</td>
<td>18,051,261</td>
<td>4,985,062</td>
</tr>
<tr>
<td>Min</td>
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<td>90,804</td>
<td>10,000</td>
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Source: MIX data, student’s calculation.

Table 4: Statistics on Inputs and Outputs for Panel 2

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<th>Statistics</th>
<th>Inputs</th>
<th>Outputs</th>
<th>Social Performance</th>
</tr>
</thead>
<tbody>
<tr>
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<td>Personnel (people)</td>
<td>Equity (USD)</td>
<td>Operating expense (USD)</td>
</tr>
<tr>
<td>Max</td>
<td>399</td>
<td>18,051,261</td>
<td>4,985,062</td>
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<tr>
<td>Min</td>
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Source: MIX data, student’s calculation.
### APPENDIX 3: Correlation between Input and Output for Panel 2

#### Table 7: Correlation of financial efficiency scores for Panel 2

<table>
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<tr>
<th></th>
<th>Personnel</th>
<th>Equity</th>
<th>Operating expense</th>
<th>Gross Loan</th>
<th>Deposits</th>
</tr>
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<tbody>
<tr>
<td>Personnel</td>
<td>1</td>
<td>0.929</td>
<td>0.964</td>
<td>0.928</td>
<td>0.882</td>
</tr>
<tr>
<td>Equity</td>
<td>0.929</td>
<td>1</td>
<td>0.961</td>
<td>0.993</td>
<td>0.980</td>
</tr>
<tr>
<td>Operating expense</td>
<td>0.964</td>
<td>0.961</td>
<td>1</td>
<td>0.965</td>
<td>0.952</td>
</tr>
<tr>
<td>Gross Loan</td>
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<td>0.993</td>
<td>0.965</td>
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<td>0.989</td>
</tr>
<tr>
<td>Deposits</td>
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<td>0.980</td>
<td>0.952</td>
<td>0.989</td>
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#### Table 8: Correlation of social efficiency scores for Panel 2

<table>
<thead>
<tr>
<th></th>
<th>Personnel</th>
<th>Equity</th>
<th>Operating expense</th>
<th>Number of Borrowers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel</td>
<td>1</td>
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<tr>
<td>Equity</td>
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<td>Number of Borrowers</td>
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<td>0.991</td>
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## APPENDIX 4: Financial efficiency (for Panel 1)

### Table 10: Financial efficiency scores in terms of CRS, VRS and Scale Efficiency

<table>
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<tr>
<th>Panel 1-FP-CRS</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>Average</th>
<th>Ranking</th>
</tr>
</thead>
<tbody>
<tr>
<td>M7 Can Loc</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>0.932</td>
<td>0.856</td>
<td>0.845</td>
<td>0.815</td>
<td>0.921</td>
<td>2</td>
</tr>
<tr>
<td>M7 Dong Trieu</td>
<td>0.762</td>
<td>0.790</td>
<td>1</td>
<td>0.952</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>0.929</td>
<td>1</td>
</tr>
<tr>
<td>M7 DBP City</td>
<td>0.799</td>
<td>0.835</td>
<td>0.752</td>
<td>0.746</td>
<td>0.738</td>
<td>0.684</td>
<td>0.885</td>
<td>0.777</td>
<td>5</td>
</tr>
<tr>
<td>M7 DB District</td>
<td>0.614</td>
<td>0.528</td>
<td>0.588</td>
<td>0.595</td>
<td>0.585</td>
<td>0.637</td>
<td>0.628</td>
<td>0.597</td>
<td>8</td>
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<tr>
<td>M7 Uong bi</td>
<td>0.737</td>
<td>0.812</td>
<td>0.714</td>
<td>0.805</td>
<td>0.852</td>
<td>0.964</td>
<td>0.934</td>
<td>0.831</td>
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<tr>
<td>CEP</td>
<td>0.528</td>
<td>0.561</td>
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<td>TYM</td>
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<td>0.879</td>
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<td>0.567</td>
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<td>0.494</td>
<td>0.540</td>
<td>0.543</td>
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<td>9</td>
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<tr>
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<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>Average</th>
<th>Ranking</th>
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<tbody>
<tr>
<td>M7 Can Loc</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>0.933</td>
<td>0.859</td>
<td>0.855</td>
<td>0.904</td>
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<td>1</td>
</tr>
<tr>
<td>M7 Dong Trieu</td>
<td>0.767</td>
<td>0.790</td>
<td>1</td>
<td>0.952</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>0.930</td>
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</tr>
<tr>
<td>M7 DBP City</td>
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<td>0.889</td>
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<tr>
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<td>1</td>
<td>0.865</td>
<td>0.833</td>
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<td>0.739</td>
<td>0.667</td>
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<td>4</td>
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<td>M7 Uong bi</td>
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<td>0.817</td>
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<td>0.841</td>
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<td>1</td>
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<td>0.584</td>
<td>0.769</td>
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<td>0.600</td>
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<tr>
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<td>0.576</td>
<td>0.556</td>
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<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>Average</th>
<th>Ranking</th>
</tr>
</thead>
<tbody>
<tr>
<td>M7 Can Loc</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>0.999</td>
<td>0.996</td>
<td>0.988</td>
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<td>0.865</td>
<td>0.854</td>
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<td>0.885</td>
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<td>0.614</td>
<td>0.528</td>
<td>0.664</td>
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<td>M7 Mai Son</td>
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<td>0.980</td>
<td>0.978</td>
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<td>0.790</td>
<td>0.881</td>
<td>0.898</td>
<td>0.905</td>
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<tr>
<td>Binhminh CDC</td>
<td>0.656</td>
<td>0.631</td>
<td>0.895</td>
<td>0.771</td>
<td>0.757</td>
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<td>0.999</td>
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In CRS and VRS models, any microfinance institution has a score of 1 is efficiency, which is located at the DEA efficiency frontier. The difference of CRS score and VRS score is scale inefficiency. When CRS is equal to VRS, scale efficiency is 0, which means that the MFI operates at optimal scale.
Figure 3: Financial and Social Efficiency scores ranked in order of Financial Efficiency

Constant returns to scale (CRS) Financial Efficiency ranked

Variable returns to scale (VRS) Financial Efficiency ranked

Scale Efficient Financial Efficiency ranked
### APPENDIX 5: Social efficiency (for Panel 1)

#### Table 11: Social efficiency scores in terms of CRS, VRS model and Scale Efficiency

<table>
<thead>
<tr>
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<th>Panel 1-SP-CRS</th>
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<td>0.573</td>
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<td>0.562</td>
<td>0.569</td>
<td>0.554</td>
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<td>0.751</td>
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<td>1</td>
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<td>0.628</td>
<td>0.602</td>
<td>0.523</td>
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<td>0.695</td>
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<td>0.670</td>
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<td>0.419</td>
<td>0.503</td>
<td>0.633</td>
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<td>0.438</td>
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<td>0.408</td>
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<td>0.453</td>
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<td>M7 Mai Son</td>
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<td>0.977</td>
<td>0.993</td>
<td>0.911</td>
<td>0.806</td>
<td>0.940</td>
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</tr>
<tr>
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<td>0.995</td>
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</table>
Figure 4: Financial and Social Efficiency scores ranked in order of Social Efficiency

### Constant returns to scale (CRS)

Social Efficiency ranked

- CEP
- M7 Ninh Phuoc
- M7 DBP District
- M7 DBP City
- M7 Dong Trieu
- TYM
- M7 Can Loc
- M7 Uong bi
- M7 Mai Son
- TCVM Thanh Hoa
- Binhminh CDC

### Variable returns to scale (VRS)

Social Efficiency ranked

- CEP
- M7 Ninh Phuoc
- M7 DBP District
- M7 DBP City
- M7 Dong Trieu
- TYM
- M7 Can Loc
- M7 Uong bi
- M7 Mai Son
- TCVM Thanh Hoa
- Binhminh CDC

### Scale Efficiency

Social Efficiency ranked

- CEP
- M7 Ninh Phuoc
- M7 DBP District
- M7 DBP City
- M7 Dong Trieu
- TYM
- M7 Can Loc
- M7 Uong bi
- M7 Mai Son
- TCVM Thanh Hoa
- Binhminh CDC
Aged Time and Disability Care: Blurring Temporal Boundaries and Transcending Policy Barriers in Storying Opportunities for Social Innovation.

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ABSTRACT
The storying opportunities for social innovation are examined in a qualitative study of the transitioning of people with intellectual disabilities into aged care facilities. Empirical material is drawn from two organizations: Greenacres and the Illawarra Retirement Trust (IRT) in the Illawarra Region of New South Wales, Australia. It is argued that temporal understanding rooted in the Gregorian calendar and atomic clock that works within conventional notions of chronological age constrain policy thinking and impedes social innovation. Opening temporal boundaries sets the scene for an emerging innovative narrative that gains traction within and across the organisations. These new stories re-constitute sensemaking of aged time, strategy, policy and funding possibilities in bridging pre-existing separations and exclusions offering new avenues for potential social innovations that could improve the well-being and care for people who have previously fallen outside of existing conceptions of institutional responsibility in the assessment of aged care needs.

KEYWORDS
Stories, time, temporality, social innovation, aged care, intellectual disabilities, social policy.

INTRODUCTION
Conventional notions of time linked to the industrialized Western world through developments in the atomic clock and the use of the Gregorian calendar shape our thinking and understanding that permeates all aspects of life. From getting up in the morning to going to work and taking set prescribed intervals for lunch or coffee breaks and specified holiday entitlements that are scheduled within our daily, weekly
and yearly activities, all speak of the regulation and control afforded by modern time pieces that standardize interval lengths (seconds, minutes, hours, day, months, years and so forth) and influence that way we make sense and give sense to the world around us. However, our (subjective) experience of time may stand outside of these more objective measures and age, as depicted by chronological time, which may not adequately reflect age as experienced by different individuals and groups in society, yet is often conceptually constrained by temporal-based images and metaphors widely used in the media and taken up in public and governmental debates. But this undifferentiated common sense notion of age fails to accommodate the well documented differences among individuals and groups. For example, people with intellectual disabilities are found to ‘age’ at a different rate in relation to health related problems when compared to those people who do not suffer such disabilities and thus, policies formulated on a single conception of time rooted in chronological age may inadvertently develop universal health and aged care policies that misalign with these changing and differential needs. In examining this issue of time and the storying of opportunities in the transitioning of the intellectually disabled into aged care facilities we selectively draw on three related literatures that comprise: time and temporality (Frank, 2012; Greene, 2005; Peake, 2012; Roe, Waller, & Clegg, 2009), storytelling research (Boje, 2011; Boje, 2008; Brown, Gabriel, & Gherardi, 2009; Gabriel, 2000) and social innovation (Mulgan, Tucker, Ali, & Sanders, 2007). Drawing on empirical material collected from two organizations, namely: Greenacres Disability Services (GDS) and the Illawarra Retirement Trust (IRT), we illustrate how stories can be used to broaden temporal understanding affording new social innovation pathways not previously considered.

Methodologically, the research adopts a participatory action research approach which has been shown to be sensitive to, and inclusive of, the views and responses of members of highly vulnerable stakeholders, including groups such as residents and their carers (Reason & Bradbury, 2001). Data was collected to ascertain current views and practices using a range of ethnographic methods (Yanow & Schwartz-Shea, 2006b) that are compatible with participatory action research such as semi-structured interviews with residents, staff and managers; photographs of staff and residents at contrasting locations; written observations of meetings and work
practices; and the collection of organisational artefacts such as organisational policies and procedures.

In examining the use of chronological time to delineate eligibility criteria for the provision of care, the study traces and follows stories that support powerful structures, policies and practices maintaining exclusions within and across the disability and aged care sectors. Dominant funding and policy stories operate across both sectors sending messages of separation and exclusion at organizational, worker and service user levels. The story-lines emphasise how the transition for those with intellectual disability and their carers into aged care is a difficult policy problem. Relatedly, an organizational story in IRT maintained that the strategic direction set by the Board had (until recently) been careful to maintain a focus on conventional notions of an ageing population. Under this form of temporal sensemaking people with an intellectual disability were considered to be outside of the organization’s core business. In the case of Greenacres, a different but equally powerful narrative had become embedded that served to maintain separation and exclusion through reinforcing feelings of unwantedness and rejection, especially evident in the stories and communication between disability workers. These employees identified strongly with the many rejections that their clients faced within the everyday community, enacting behaviours associated with feelings that they and their clients were generally not wanted or welcome, including in IRT aged care services.

Although not a new problem, the transition of people with intellectual disabilities into aged care has been regarded within the disability sector as intractable and vexatious issue – truly a wicked problem. As well as contributing to the policy debate at the local and national level through presenting new sensemaking possibilities for innovation and change in the provision of care, we set out to highlight how providing space for new stories to emerge that these stories can variously create and shape social innovation opportunities, especially in the way stories may be used to influence and steer change in certain preferred directions. Whilst stories provide a useful vehicle for representing innovative organizational possibilities to different types of audiences these alternative ways of viewing can also be silenced by
powerful others particularly within a context of established stories. The fragility and stability of stories can shift and change over time influenced by a range of factors that our empirical research aims to highlight. In so doing, a key conclusion from our research is that conceptions of age are critical to sensemaking processes that influence our understanding and decision-making in relation to aged care provision and policy development. As such, we emphasise the importance of conceptions of time, story engagement and the potential of stories to shape collective sensemaking in enabling the blurring of temporal boundaries that can transcend policy barriers in storying opportunities for social innovation that can improve the well-being of people through improvement in the policies and practices of age and disability care.

TIME TO THINK AGAIN: CHRONOLOGICAL AGE, TEMPORAL DIVERSITY, AND CULTURAL HERITAGE

Time is something that we experience every day, it is immediate and ever-present to our senses and yet it is invisible, untouchable it has no smell or taste but we have an intuitive understanding of what time is. The ways in which we give sense and make sense of time is reinforced by our activities and interactions with others, in the scheduling of work and non-work events, in present plans, future expectations and in our reflections on past experiences. Time is taken-for-granted and is often couched in progressive linear terms that marks a movement from what has gone (the past) to what is (the present) to what is to come (the future). A representation of an arrow of time that moves ever forward (the past cannot be relived other than through memories of what has been) and the future can never be experienced (other than in the expectations that we hold) as when tomorrow becomes today, today is no longer the future but now. This conception of time is reinforced through institutional time and conventional notions of age that link to the atomic clock and the Gregorian calendar. Whilst Western conceptions of time (progressive assumed linearity) have been seen to differ from their Eastern counterpart (where time is viewed in more process-oriented and cyclical ways) these differences are seen to arise from the different contextual conditions and historical cultural heritage (rather than geographical location) that shape sensemaking and influence decision-making (see, Skringar & Stevens, 2008: 26-29). Western conceptions can be linked to particular historical periods; for example, as in the case of industrialization and a movement
from agrarian life to urban centres and the setting up of employment relations as people moved into factory production and office work which required a new time and work discipline (Thompson, 1967). Language in the way we speak and talk about time continually reinforces our current understanding of time as something that exists and can be measured even though we are unable to gain a feeling for time through any of our natural senses. For Elias (1993) the emergence of material measurable time arose for quite specific purposes and in the process has had fundamental consequences for the way we view the world and make sense of our roles in society. As he states (Elias, 1993: 115):

The significance of this emergence of the concept of ‘physical time’ from the matrix of ‘social time’ can hardly be overrated. It went hand in hand with the emergence of a new function for human-made timepieces; it implied the timing of ‘nature’ for its own sake. Hence it was one of the earliest steps in a process of concept-formation whose results today have become fossilized and are very much taken for granted – steps on the road towards the conceptual split of the universe which has come to dominate increasingly people’s modes of speaking and thinking and which appears as a consensual axiom that no one can doubt.

In an historical account of time Frank (2012) argues that there has been a longstanding link between personal (human time) and cosmic time that emerges from our engagement with the material needs of the cultural context (space) in which we are located. In his focus on Western developments from Mesopotamia, Greece, the Middle Ages (that he refers to as the Dark Ages) and the Industrial Revolution through to the modern western world, he charts how our Palaeolithic (Old Stone Age) ancestors were integrated within the world of nature and the life of the animals. The world of hunter-gatherers is entwined with the environment in the gathering of ripened food and the following of herds in a continuing flow of time (Frank, 2012: 14-18). With the warming of the planet and the receding of glacier activity a new stone age (Neolithic) evolved in which there was less movement as people were able to set up more permanent abodes, developing tools for grinding plants and domesticating animals, which necessitated new ways of organizing and a redefinition of time (Frank, 2012: 18-26).
Following the Middle Ages, religious beliefs and the centrality of God to existence and creation held back the presentation of new scientific theories. For example, the forthright proclamations of Galileo (1564-1642) that the planets and the earth revolved around the sun which contributed to the scientific revolution and promoted the heliocentric theory of Copernicus (1473-1543), sharply contrasted with the Aristotelian (384-322 BC) geocentric view that all heavenly bodies revolved around the earth. Galileo’s controversial position brought him into conflict with the Inquisition that resulted in him being placed under house arrest for the last nine years of his life after being found suspect of heresy by the Holy Office (Brecht, 2008). Although as Skringar and Stevens point out his lesser known contemporary Giordan Bruno, who is sometimes credited as the originator of these ideas, suffered death following his avocation of an alternative to God (Skringar & Stevens, 2008: 28).

Methods for measuring time have a long history and were generally accepted provided they did not call into question the religious ordering of time, space and existence. Early time interval measurement devices can be traced back to sundials (evidence goes back to 2,000 B.C. with the first authentic record of a sundial dating back to 742 B.C.) water clocks (Egyptians), sand glasses (Persians and Sumerians), the wind (Chinese), bells (monastic scheduled prayers) and candles (ancient Asia also used during the Dark Ages in Britain). Early versions of the mechanical clock began to appear in public areas during the 14th and 15th centuries, originating in the towers of some large Italian cities (beginning with Orvieto in Italy in 1307). These clock towers soon spread to other major cities across Europe (for example, Windsor Castle gained a clock in 1353) and during this period changed from the clockwork regulation of the ringing of bells at set intervals through to the introduction of the more visual representation of time through the placement of clock dials on the tower (Frank, 2012: 72-73). Greater accuracy and reliability was achieved through the development of the pendulum clock by Christian Huygens in 1656, with the first quartz clocks being invented in the 1920s and atomic clocks in the 1950s, which have become increasingly smaller with the Chip Scale Atomic Clock (CSAC) being made commercially available during the 2010s (Coxworth, 2011).
However, long before the arrival of the clock the search for answers to cosmological questions was vibrant within Greece and developments in geometry, mathematics and philosophy were used to reflect and debate on the nature of time as something ‘real’ or ‘illusory’. A comparison is often made between an ancient Greek philosopher Parmenides, who argued that there was no change and hence that time was an illusion and Heraclitus, who saw the world as being in a continuous state of flux and forwarded the well-used dictum that one cannot step into the same river twice (see for example, Peake, 2012). These different views of time have persisted in various forms to the present day with considerable emphasis being placed on measured time, especially in developing policies and planning for future demographic trends.

In the case of aged care policies, there has been an over-reliance on chronological time that whilst important, can underplay the diversity in health and abilities found among individuals who may have the same chronological age. For example, the differences found among groups of similar age profiles when comparing those who are born and live in socio-economically deprived areas with people from relatively affluent backgrounds with very different life styles and health regimes. Although there is value in studies that track trends and cohorts to identify the average characteristics of people from similar backgrounds and of a similar age, this can lead to gross oversimplification and myopic thinking when considering the transition issues facing people with intellectual disabilities into aged care units. This institutionalized and uncritical emphasis on chronological time is often used as a category measure for eligibility to services of ‘aged needs’ and as a priori explanation that chronological age is the main predictor of age care needs. Policies and bureaucratic procedures often draw on chronological measures of age that are unable to accommodate the very different experiences, circumstances and variability in ageing processes (for example, gender, socio-economic background, lifestyles, genetic legacy, cultural contexts and work environments) found among people in society. In other words, people with the same chronological age can exhibit very different psychological, social and biological ageing characteristics and as such, broader concepts of time and temporality need to be accommodated that can open
up thinking in policy options and break away from a chronologically-oriented set of procedures that present structures that are seen to present further obstacles for more innovative social solutions to age, disability and aged care.

As we shall see, this opening of options is not easy as institutionalised conceptions of chronological time are continually reinforced through language, policies and procedures that result in the development of structures, funding bodies, regulations and care criterion that further support closed collective sensemaking and reinforce our common sense assumptions about age and time. This is not to deny the usefulness and applicability of measuring intervals in age from date of birth through to schooling years, work, maturity, retirement and old age, but this should not be used as a form of self-evident predictive proof (a kind of straightforward causality between chronological age and the ageing process). It is to the variability and differences associated with ageing processes among individuals and groups in society that we must also turn our attention and for this, we need to broaden our concepts and accommodate a more differentiated understanding of time and temporality. For many commentators, a distinction is made between objective time (metering devices used for planning events and scheduling activities) and more subjective forms of time (the way time is experienced and made sense of by individuals and groups within a socio-cultural context); with the former often being used to classify and analyse time-related data that can be used to inform and evaluate policy decisions, whilst the latter engages with time as a social construct and the way in which temporal experiences flow and fluctuate from interpretations and re-interpretations of past experience to prospective sensemaking of future events and understanding of current concerns (Dawson, 2014). On this count, Weibe (2010) illustrates how managers' use different conceptions of time in framing the events and processes they experience. They are seen to draw on continuity/discontinuity as modes of understanding the relationship of past, present and future, in which they tend to focus on a dominant temporality (Weibe, 2010: 230-231). In characterising the way stories of change construct time in different ways five worlds of organizational change are identified with the following temporal frame: sameness frame (past); evolutionary frame (present); future goal frame (future); continuous frame (present with eye on future vision); and new era frame (past with
future perfect tense). The focus is on individual managers’ experience of time as a social process in which ‘a new present is formed from which we revise the past and newly project the future’ (2010: 217). In not adopting a longitudinal design and being based on the individual sensemaking of managers there are some limitations to this study, but Wiebe (2010) usefully demonstrates not only the different temporal conceptions to change but also the need for a broader conception of sensemaking that goes beyond retrospection. In our examination of two care providers that follows, we examine temporal sensemaking and the various ways that stories are re-storied, open to further refinement, developed or replaced over time through individual and collective sensemaking, and the way that storying occurs not only as bounded entities that exist in formulised structured accounts (through an analysis of formal documents, proceedings or inquiry reports) but as in-construction, emerging, transitioning devices that afford new pathways for social innovations not previously considered. In this we argue that stories serve not only to describe and relate experiences but also as potential leverage devices through sensemaking processes to steer and shape change in certain preferred directions.

**STORY TIME: TRANSITIONING AGEING PEOPLE WITH INTELLECTUAL DISABILITY INTO AGED CARE SERVICES**

Working with the Illawarra Retirement Trust (IRT), a large aged care provider and Greenacres Disability Services (GDS), a disability support service we examine a pilot project that aimed to tackle the growing problem of how to ‘successfully’ manage the transition of people with intellectual disabilities into aged care services. This transition issue is a nation-wide problem with growing implications in the light of Australia’s ageing population (Marciano, Dawson, McLean, Skykes, & Zanko, 2011). While the age of the general population accessing aged care services is increasing (in 1995 it was 79.2 years and in 2005 it was 83 years), people with intellectual disability may show the signs of ageing earlier than the general population and may require access to aged care services at an earlier chronological age (Williamson & Harvey, 2007). They may also have severe limitations to core activities, but may not meet the frail/aged criteria used by Aged Care Assessment Teams (ACAT) to initiate referrals to Aged Care Services. Despite the imperative of an ageing population and lack of supported residential aged care, access to services for this group is usually
as a result of a crisis, making it difficult to manage. Not surprisingly, the transition of people with intellectual disability into aged care has, until now, been regarded within the Disability Sector, as intractable and vexatious – truly a wicked problem.

In 2011, a series of national investigations by the Australian Productivity Commission reported on the Aged Care and Disability Sectors (Commission, 2011a, b). As a result of these reports, the Federal government has legislated for the introduction of a National Disability Support Insurance Scheme. At the time that the research project was undertaken however, ageing people with disability under 65 (with significant ageing care needs) could only access Aged Care Services through crisis situations (where their parent/carer dies or is too frail to care for them). The person may want to stay with their current Disability Service provider, but the provider cannot meet their growing aged care needs. In these cases an ACAT assessment is requested. Despite ageing earlier than the general population, the ACAT assessments typically do not assess the person with disability as eligible for aged care services due to being frail/aged, but because there is no other ‘more suitable’ accommodation option (Government, 2008) Furthermore, the Disability and Aged Care Sectors remain separated through their sources of funding (Federal and State) and the types of services for which they are funded. Chronological age (65 years) is still the driver for Aged Care funding. Disability Service providers are funded to provide Disability Services to people with a disability up to age 65 years and can only continue providing disability services where a person is assessed as not requiring residential aged care services (despite having both disability and aged care needs).

The corollary of the policy impasse is that ageing parent/carers of people with intellectual disability may have to increase their caring role as their son or daughter experiences age related decline and may no longer be able to work. This potential increasing demand for care occurs at a time when they are likely to be having increasing age care needs themselves and this usually results in the parent/carers being no longer able to care for their son or daughter. At this point, a sudden need for supported accommodation puts families into crisis and is highly stressful both for the carers and for the person with a disability who may be mourning the loss of their
parent/carer and may then also have to relocate from their family home and familiar surroundings.

**Research Strategy and Methodology**

Our research project that set out to examine the process of managing the transition of people with intellectual disability into aged care while facilitating well-being for clients, carers and other stakeholders has developed in two phases. The first centres on a review of the history and development of the policy and practice literature that was combined with nine preliminary interviews of managers and staff at the Illawarra Retirement Trust (IRT) and Greenacres Disability Services (GDS). These interviews were undertaken to ascertain the extent, severity and impacts of the ‘problem’ and to identify potential options for the organizations to address associated issues. Our findings highlighted that a significant national problem exists with complex policy and cross-sector challenges (Marciano et al 2011). In support of these findings, both organisations recognised that a ‘black hole’ existed in the provision of services for the ageing people with disabilities and that further work was required to ascertain potential solutions.

From this initial work, a 10 week Pilot Project was undertaken, one day per week, to trial the provision of disability day service programs within an aged care setting supervised by a Project Management Team. The Pilot program (hereafter called the Pilot) was hosted within the IRT Woonona Care Centre site, a carefully planned decision made by IRT management with consideration given to ensuring the best fit for the six Greenacres clients within a specific aged care setting. Participants from Greenacres were assessed for the Pilot on the basis that they were generally communicative, without significant behavioural issues and were most likely to require aged care services in the future. These clients were currently living in the community or with parents/carers. Careful consideration was also given to staff allocation ensuring that there was a reasonable match between their skills and training and the joint activities they would have to manage. An IRT Lifestyle Officer and Greenacres Retirement Options (GRO) worker were allocated to supervise these joint activities. The activities included various craft activities, gardening, musical activities, and conversations around newspaper readings.
The Pilot Project Management team meetings were scheduled monthly and provided an opportunity to implement ongoing evaluation through the use of an action research methodology, for example, feedback, planning, reviewing, monitoring all occurred in the meetings (Reason and Bradbury, 2001). The management team consisted of four managers from each of the organizations with one of the researchers working collaboratively in planning, coordinating, and negotiating appropriate practices for the Pilot.

In conducting the research, a participatory action research methodology was used (Reason & Bradbury, 2001). Such an approach has been shown to be sensitive to, and inclusive of the views and responses of members of highly vulnerable stakeholders, including groups such as residents, clients and their carers as well as staff and management. Additionally, participatory action research has been used extensively in work aiming to support emancipatory projects and to enact social justice (Greenwood & Levin, 2008; Reason & Bradbury, 2001; Selener, 1997). Given the imperative for action on these issues the researchers aimed to use the data generated to intervene rather than to merely observe and report on events (Idema & Carroll, 2010). Such an approach necessitates that the researchers act reflexively and are sensitive to the issues and context that their actions may influence.

Data were collected to ascertain current stories and practices throughout the Pilot both on site during the Pilot and in project management meetings using a range of ethnographic methods (Yanow & Schwartz-Shea, 2006a) that are compatible with participatory action research, such as: semi-structured interviews of staff and managers; written observations of meetings and work practices; and the collection of organisational artefacts, for example, policy documents, organisational procedures and photographs (McNiff, 2013). Feedback obtained from on-site staff was used to inform adjustments made both by the project management team and on-site staff to the operations of the Pilot.
Stories from the field: Greenacres and IRT

In selectively drawing from our fieldwork data we present an analysis of stories from the field including well-established stories and those in the making, emerging and being collectively re-written and revised in the light of ongoing experiences and future expectations. Within the mainstream literature, the focus on the narrative turn has largely centred on retrospective analyses of coherent structured accounts that may be characterised into various forms, such as, tragedies, epics or romantic tales (see, Gabriel, 2000; Gabriel, 2004). This retrospective dimension is also taken up by the Weickian perspective on sensemaking that provides a backward glance from the present in making sense of events when disruption occurs (Weick, 2001). Our analysis turns attention to non-linear time, to the temporality of stories and change in which the present is continually experienced in relation to the past and the future (Dawson & McLean, 2013). Stories and story tellers select and reconfigure elements of the past and draw on prospective sensemaking in seeking to give sense to lived experiences, to the unfolding processes of change, and to influencing the sense of others in certain preferred directions (Weibe, 2010). We argue that affect and affective relations draw on selective memory of the past and anticipation of the future in constructing meaning and stories that explain experiences of the ongoing present.

We commence with the stories that are more established within our participating organisations. These well-known stories fit with Gabriel’s (2000) notion of a good narrative with a recognisable beginning, middle and end. They provide retrospective sensemaking of disturbances and uncomfortable happenings in the everyday of events and conversations, whilst also offering the potential for dialogue and debate about the now and future of possible change pathways that may or may not occur. As such, they present a forum from which discussions can flow and ebb around a range of dimensions that may be brought into play by participating audiences. The ‘classic’ story we draw upon relates to a past event that has happened yet continues to have considerable leverage for engaging others in dialogue and in prospective storying, which does, among other things, give sense to what is seen to be needed to be done. Different interpretations and views emerge and in this sense, there is a range of voices (polyvocality) that interweave and compete in collective sensemaking, especially evident among key stakeholder groups. These multiple
stories are less coherent, forward looking, incomplete and fragmentary – they are more in keeping with Boje's (2008) call to set stories free from the narrative prison. They open up pathways for further dialogue and debate within and across groups, which create further opportunities for inter-organizational storytelling in giving sense to the potential for collaborative action. The structural barriers to change (through existing funding models and policy documents) move from foreground to background as the drivers of the imperative to develop transition strategies take on a higher priority that is seen to be realisable. Areas that have previously been closed are opened and in so doing, the commercial and economic inhibitors are reassessed – the costs of not taking action (social, economic, political) – become a backdrop to participant engagement by key stakeholders in what is seen as a significant social innovation. Through storying the leaders of the collaborating organizations engage in a new agenda that is seen to have potential impact beyond the organizations in question to policy care developments that would necessitate a rethinking by governments at both State and Federal level. The longstanding constraints of change are replaced with a dialogue through storying that engages stakeholders not only in the possibilities for change, but in the excitement and challenge of a significant social innovation that improves the well-being of people in society. However, this story is in itself incomplete and partial, relaying a positive slant on development and skirting over some of the issues, concerns and contradictions that emerge in the stories as they are told in our case organizations. In returning to these stories, we present accounts around the well held notion of a ‘crisis event’ relaying the Nadia story and the Carer story around the unanticipated transition of someone with a disability into aged care.

Bridging the Divide between Aged and Disability Care: Storying the Crisis Event.

During the early stages of the research there were a number of stories in circulation that sought to capture some of the issues and difficulties of bridging the divide between aged and disability care. These stories recounted problems stemming from separate funding arrangements that constrained meaningful collaboration between IRT and Greenacres. At policy level, there was a clear divide established both in terms of client definition and in relation to the monies that would support ongoing care and new initiatives. The bridgeless divide was brought into stark relief when the
intractable issue of managing the unplanned admission of disabled clients into aged care environments occurred. These situations called for immediate response and liaison between two separate organizations that operated in different sectors, each with their own sets of procedures and policies. Both parties were well aware that these ‘crisis events’ would occur but their exact timing could not be pre-planned. An example of such an unplanned event would be when the parents of a disabled son or daughter were – through perhaps their own ill-health or incapacity through natural ageing – no longer able to provide the life-long support that they had sustained previously. Whilst both organizations were well aware that these situations occurred (they had occurred in the past and they were going to reoccur in the future), there was no way of predicting the actual occurrence of such events. As such, each ‘crisis event’ was dealt with at the time of the event with no pre-planning and this caused not only procedural and staffing strains on the organizations, but also personal strains (stress, fear, anxiety, confusion, guilt, sadness, loss, et cetera) for the home carers and the disabled client who was lifted from a secure known environment into a strange and unknown institutional setting. In addition, the residents within the aged care facilities, most of whom lived through the period in which the dominant Australian social policy separated people with disability from the general population, often did not take kindly to the sudden arrival of a person with disability who was chronologically young and potentially emotionally demanding.

The regular occurrence of this issue provided material for stories that sought to make sense of the human cost, carer demands, resident concerns and management issues, whilst also capturing the inanity of formalised bureaucratic procedures and the short-sightedness of policy developments. These retrospective replays of events and the personal stories of families highlighted the plight of people and the travesty and injustice of procedural arrangements that were unable to accommodate to the real needs faced by those in need of care and those working within the caring profession. A classic story that was well known by the staff and management of Greenacres centred on the admission of an elderly lady and her disabled daughter. This story was repeated a number of times by Greenacres staff and management, both in separate individual interviews and in meetings before, during and after the research. The story is of a long-term Greenacres client who had made the transition

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to an IRT residential care centre – the story became known as the *Nadia Story* (pseudonyms are used throughout for reasons of confidentiality). The main dimensions to this story centred on Nadia who was being cared for by her mother up until her mother reached the age at which she herself required aged care. In entering as an aged care resident, Nadia (her daughter with intellectual disabilities) joined her and they lived together within an IRT residential care centre. During her stay at IRT Nadia developed dementia and her mother died. A resident who recalled watching Nadia walking around in a nightie clearly showing signs of having cognitive problems made his view known, namely, that as someone under the chronological age of 65 she should not be allowed to stay and should be requested to leave. A part of the story is recounted in the quotation that follows:

I can use names because you said it’s confidential, Nadia moved into the residential setting and, I think, again she moved there with her mum and then when her mum passed away...there was some resistance from some of the people that were there that thought that she would then move on and when she didn’t move on there was one particular fellow that was making it very, very clear that he didn’t think she should be there. And I know one of the managers (Julie) went out...and spoke to him and tried to find out what his concerns were...he basically said to Julie that Nadia didn’t belong and she shouldn’t be here, that she was only here because her mother was here. And when Julie said, well that lady’s obviously got a disability, because he said, well if she’s got a disability she shouldn’t be here...Lovely. Charming. So that was his attitude.

Here the aged care resident argues that as Nadia had a disability when she entered the aged care service (with her ageing mother), she, in contrast to the resident who had ageing related disability, developed dementia after admission into care, and therefore ought not to be in the aged care service but in a disability specific service. Unfortunately, such an option does not exist in current services.

The story highlights the exclusion and discrimination that Nadia experienced as she moved into residential aged care. The discursive/affective power of this is evident in that the story was told by Greenacres management and staff on multiple occasions –
in the initial interviews, prior to the Pilot, then again during the Pilot by several staff and even in the final wrap-up meeting. The story gives sense to problems encountered by care staff under current funding and policy arrangements that promote a divide and separateness between aged care and disabled care. This division is generally accepted by aged care residents who belong historically to a generation where the separation and exclusion of people with disability was naturalized in most social domains and therefore have little awareness of the issues faced by ageing parents who care for their disabled children. The story that emerges from the resident shows how he is unable to make sense of the decision for Nadia to remain in an environment that is not – in the collective view of the residents in making sense of their own lived experience – appropriate or designed to accommodate Nadia-type-residents. The division at policy level is replicated in a modified form at residential level where a common sense of identity emerged based on an understanding of age and frailty. A conception of time – as chronological clock time – pervades collective sensemaking as the sharing of individual stories that explains their current place in residential aged care temporally align (they have all passed the formal age requirement) even if they have followed different routes to their current position. There is a collective understanding and identity that is formed that is further reinforced through interaction and activities in the care facilities. Under these circumstances, the younger person with disability (in chronological age) stands out as an ‘outsider’ and at times ‘intruder’ to their shared world.

The partition that occurs through stories and collective sensemaking can also potentially be unraveled by providing a changed environment in which the people with disability are seen to be a part. As we shall see later, active engagement and regular visits that promotes interaction across this divide provides the material for new stories and processes of sensemaking that open up opportunities for change that allows for greater integration and a revision of meaning about ageing and notions of care. At this stage, it is worth returning to the dilemma of the carer who in the case of Nadia, is unable to invalidate the position of the aged resident. This frustration and ultimate concern of how to best manage this situation generates ‘the problem’ that is captured in the story that is retold. This story is not about Nadia per se, but Nadia as an archetypal figure. The Greenacres managers and employees
know that this is not a one-off event, situations will recur and their annoyance and irritation – in a sense of powerlessness to change this situation – emerges in the story with which they can all engage and use as an opportunity to speak of their frustrations through commenting on the event. For these employees, understanding at policy and residential level is missing, there is a need for change but as the story captures, there is no solution forthcoming. The story thus provides a platform for discussing a longstanding issue - which given the context of an ageing population and the lack of change to this area of policy in recent reports – is likely to occur with greater regularity in the future. As such, talk around this subject is not so much about the sensemaking within the story construction but to the different ways that sense is given to the story in the present when considering prospective and anticipated issues that are likely to arise in the future. It provides an opportunity for prospective sensemaking in stimulating dialogue and debate.

Awareness of these concerns arising from an ageing population varies across a range of stakeholder groups. As reported in the story above, carers of the people with disability are in a precarious situation as they age as there is no single care service that will take responsibility for both themselves and their child. These ‘crisis situations’ threaten to undermine their current lifestyles and presents an issue/problem for the children they love and care for. The inadequacy of the formalized procedures and the lack of integrating mechanisms sets a hard face on potential futures and does little to alleviate the concerns and anxieties of elderly parental carers. As the following quotation captures, there is a lot of emotionality, feeling of hopelessness and loss that often accompanies these crisis situations:

And people are shattered at the time because they’re in crisis and emotions are raw and people, especially if you’ve got an old parent, older carer, it’s just all too much, all too much and the process just shouldn’t be that bad for them, but they’ve worn enough guilt in their life with what people with disabilities have gone through over the years. And a lot of your older carers, and I’m talking 85, 90, 92 some of them, with a daughter or son home that’s 55 or 60, and they’re still caring for them and then all of a sudden they fall, break their hip, crisis, no one can care for them…Then people start to pick up, oh, they can’t go back to
a day program, they can’t go and do normal accommodation, they’ve got dementia, they’ve got, and bingo, next minute, crisis, they’re in an aged care facility and you’ve got the person with the disability in one and the parent in. And it could happen in like months just because of one crisis thing.

(Interview 5, 21)

The absence of options and the failure to plan for such contingencies is viewed as a significant failing of the current system. This is especially the case where the disabled daughter or son is not eligible for aged care because they are below the required chronological age, even though it is well documented that problems of dementia tends to occur far earlier in disabled people rather than those with normal health profiles. Ageing and associated illnesses are not fixed by clock time, even though policy and regulatory procedures often find this method of measurement the easiest to employ in administering and regulating aged health care. The dislocation that impacts when these crisis situations occur goes beyond the merely emotional to the affective in the separation from familiar place and space to the hopelessness of having nowhere to go. The affect embedded in the specificity of the socio-materiality of a known environment – like the home, bedroom, lounge or garden – has a temporality of meaning that extends beyond the present in memories of the past and anticipations and expectations of future events and happenings. The color and shape of the plants in the garden, the texture of the handle on the front door, the sound of the kettle in the kitchen and the shape of the wall hanging in the bathroom – produce their own image, memories and meaning and evoke affectivity – the materiality is felt, touched, smelt and remembered and forms part of the social process of sensemaking. These affective relations through socio-material engagement often provide a sense of belonging, of order and place in the world, a sense of security and of continuity and safety. Disruptions and displacement breaks the routine of the familiar in relocating situated practices to an alien or unknown environment where everyday activities can create anxiety and fear rather than the knowingness and security of the familiar.
Collaborative Sensemaking, Re-Storying from Above and Below

Retrospective narratives were told positioning the former Greenacres CEO and Senior Manager as champions of policy and funding reform in the disability sector. These stories were frequently taken up by staff, describing how as leaders and advocates, they struggled to uphold the rights of people with disability in local, state and national policy committees. War stories circulated that had epic, tragic and even comical storylines, generally pointing to frustration at federal and state policy gaps and overlaps that constrained or confused operations and practices; lack of coherence between disability and aged care policy for example; the difficulties surrounding meeting the eligibility criteria associated with the ACAT assessment in which a person with disability who was showing signs of increasing frailty and ageing at an early age was unable to access an ACAT assessment as a means of accessing aged care services if they were aged under 65.

Despite the longevity and discursive power of such organizational stories, during our research we observed the emergence of new incomplete, entangled prospective stories that contested the exclusion/separation of people with disability from aged care services. In order to see the spread of the new story from Greenacres to IRT senior management, we first present notes from our discussions with organizational leaders. We then contrast these high level, incomplete stories with developing grassroots stories that emerged in the intra-active dynamics afforded by the Pilot.

In an interview with the Chief Operating Officer (COO) of IRT, he points to the significance of a meeting that he held with the former CEO of Greenacres about eighteen months prior to the commencement of the Pilot. He describes how at that meeting he was made aware of the plight faced directly by Greenacres of the growing numbers of carers who were unable to find aged care services for their children with disability. The COO described how as ‘the disability sector is crying out’ he became strongly aware that ‘we’ve got a problem’ with increasing numbers of people requiring access to aged care services. He repeated several times during an interview that the driver for developing collaborative relations with Greenacres in the Pilot was that: ‘we have heard the voice of the disability sector’. Here he names the story developed by Greenacres and how the affective power of the retrospective
story describing the plight of the disabled sector became linked to the prospective story that something could be done by IRT to remedy the situation. He went on to describe another story in circulation in IRT about how the IRT Board had previously been: ‘very careful to maintain the focus of their core business on the ageing population’, but in a new version of the story mentioned that they had now become aware that it is their objective: ‘to serve all ageing people in the community’ and that they must pay greater attention to: ‘adjusting their capabilities, training and facilities’ to enable greater service capacity to meet the needs of ageing people with disability. Interestingly, he describes another prospective story of how IRT might manage policy to facilitate the transition process. He suggests that while IRT was always committed to careful adherence ‘to strict boundaries of the core areas’ of funding policy requirements that they need to ‘look at flexible areas to see what creative things can be done’. Here a new story is emerging supported not only by the COO but also the Board (‘who are delighted that we are doing the Pilot’) who whilst maintaining their emphasis on the business of an ageing population are also including people with disability. This marks a potential shift in business strategy that acknowledges opportunities in targeting people with disabilities as a group rather than in dealing with these situations as individual cases as they arise.

Another new story was entwined in the Pilot and the associated research project as the Project Management Team was formed comprising managers and staff from both organizations as well as one of the academic researchers. In this context, the Greenacres stories discussed earlier and the earlier discussed management story became entwined in the operationalization of the project. After some initial communication challenges, where IRT staff were unaware of their roles in the project, the new prospective story of IRT and Greenacres collaboration soon dominated the management team meetings. Stories were related from the Pilot of how Greenacres clients were accepted by the aged care residents and staff. Not only did they add a sense of enthusiasm and fun often missing for the aged care residents but conversations also developed between the residents and clients. Here one IRT Lifestyle Officer, Alex, who assisted with activities for the disabled clients during the Pilot, discusses a musical activity in which he plays piano and participants both aged and disabled had to guess the name of the song. As he reflects:
As far as the activities are concerned I personally participated in music activities and also in some craft with the people from Greenacres. Their response was, they were a bit like children in their response, they were unbelievably enthusiastic, more so perhaps than some of the other people at the centre who have become a little bit jaded, pardon the pun, because they’ve seen it so often. Perhaps jaded is not the right word, but they’re level of enthusiasm maybe isn’t as obvious now. But because of these new people coming in it’s all new to them. They thought it was wonderful to be able to sing along with songs, they were making requests and so forth, Elvis Presley I remember was a big favourite with one person in particular who apparently has posters of him all at home, of Elvis and so forth.

Alex goes on to discuss the spread of this positive affective charge to the aged care residents:

Yeah, which of course is infectious, because I mean, even with our own residents, because they could see this group of other people coming in and here they are fresh off the street, so to speak, displaying all this energy it had an infectious affect on our own residents here and they became more enthusiastic in the activities as well.

In our observations of the musical activities, we experienced the affective flows both bright and happy, sentimental and pensive, and were moved as we observed residents and clients powerfully affected by music. As one researcher noted:

The affective dimension of the music was very powerful. It was clear that most of the residents loved to hear the music as their faces reflected joy, sadness perhaps attached to sentimental memories and even frustration when they knew a tune but couldn’t remember the name. Some sang along or hummed, tapped and were momentarily somewhere else. Alex put a lot of himself into this activity both in terms of his song selection and performance. I think he was momentarily somewhere else as well. The Greenacres group also enjoyed this
activity and became very animated and excited especially when Alex played songs that they knew.

The affective power of music is well known and here barriers melted as music played. As stories such as these were enthusiastically relayed by workers back to the management team, the sense of effective possibilities transferred to the management meetings that now became more affectively charged with feelings of optimism, hope and humour. Confidence grew in the possibility of new stories affirming the hopeful in what has occurred and in supporting future-oriented possibilities for further collaborations.

In the final de-brief meeting staff described the Pilot very positively despite it being ‘designed to succeed’ in terms of the selection of clients facility and participation. Greenacres staff suggested that the transition and the Pilot ‘are part of their grand plan thinking about ageing clients’. They suggested that the Greenacres clients were ‘happy about the Pilot as they liked to have a bit of fun’. IRT staff endorsed the Pilot by their comments that their residents demonstrated increased levels of participation in activities and developed new relationships with the Greenacres clients. Greater collaboration between the two organizations had been achieved with managerial staff from both sides referring to the collaborative relationship as being effective and strong with the atmosphere at the meetings being positive, interspersed with humour and goodwill. A platform for ongoing dialogue in storying opportunities had been established and a number of options for future developments were undergoing discussion at the time of our withdrawal from the research sites.

CONCLUSION

Time and temporality are ever present during change, in the way people experience work and institutional care and through the decision-making and action around the development and implementation of policy in which our general understanding arises from taken-for-granted assumptions, images and metaphors that align with metered time (clocks and calendars) in the linear progression from a past, to the present and into an anticipated future. The more objective conceptions of time are readily assimilated into our daily lives as we schedule activities, plan for future events and
organize and regulate behaviours and coordinate the tasks between ourselves and others. Time is seen as self-evident and obvious something that simply ‘is’ even though it cannot be perceived by any of our senses. This objective form of time is used to categorize cohorts of people as we segment and intervalize our lived existence from cradle to grave. In our research example, chronological age – in being sixty-five years of age or older – is the timeline that is used to formally divide those who are eligible or not for assessment for residential aged care services. As outlined, Aged Care Assessment Teams (ACAT) cannot cross this chronological boarder in assessing people with intellectual disabilities even though they may be showing earlier signs of ageing (that is, at a younger chronological age), as they can only do this in crisis situations where there is simply not other suitable accommodation (an end of the road scenario).

This conception of objective time and reliance on chronological age acts as a foundational block for sources of funding (State and Federal) and the development of policies. Institutions, structures, policies and procedures have all been built around this common-sense understanding of time that constrains thinking and blinkers many to the problems of temporal diversity. Although there are legitimate reasons for not accommodating the subjective experiences of time in policy developments and assessment criteria in the case of people with intellectual disabilities, we have an identifiable group who present different ageing characteristics, in terms of their physiology and biology, when compared with people of the same chronological age in the general population. There is a comparative mismatch between objective clock time and the physiological/biological time of different groups of people in society (as highlighted, for example, by the shorter chronological lifespan expectancy and health problems of aboriginal Australians). Interestingly, although there is often recognition (and plenty of medical evidence to support) the view that people with intellectual disabilities have different ageing characteristics the causality of time remains rooted in generalizations based on calendar age.

The more material and physical dimensions of chronological time dominates thinking in the development of policy and innovative solutions over for example, conceptions of social time, biological time, psychological time or the different ways in which time
is experienced and made sense of in different historical cultural settings. In our action research, stories were used to draw out issues and understanding in engaging a broader group of stakeholders in dialogue and discussion. Practical problems were identified and the undue focus on conventional notions of ageing became a subject for wider consideration, especially around the way structures and procedures were supporting divisions and exclusions within and across the disability and aged care sectors. Stories and storying provided the opportunity to develop and present new sensemaking possibilities for innovation and change whilst also widening thinking and temporal awareness. Issues of temporal diversity was not a centre piece of discussion and yet, these elements peppered the stories that opened up thinking not only on differential ageing processes but also, in making sense of the past (retrospective sensemaking) in terms of the problems being faced in the now (the present) and coming up with innovative solutions/possibilities for the future (prospective sensemaking). In other words, through the storying process ways of thinking developed that were able to step out of conventional constraints (structures, policies and procedures based around chronological time) in the development of alternative narratives for change. These new stories re-constituted strategy, policy and funding stories and practices bridging pre-existing separations and exclusions and offering new possibilities in making sense of new potential social innovations that could improve the well-being and care for people who have previously fallen outside of existing conceptions of institutional responsibility and time in the assessment of aged care needs.

The Pilot provided the context in which these new stories emerged, developed and were presented in engaging a wider stakeholder group that supported ongoing collaborations between IRT and Greenacres. Subjective experiences of time are spotlighted in the activities between Greenacre clients and residents at IRT in which memories of the past mingle with experiences of the present in the affective power of music to engage the participants in individual and collective temporal experiences. There is also a sense of timelessness, in which the performer and some members of the audience move beyond time-as-measured into a timeless world in which the past, present and future continuously entwine in a kind of affective temporal merging. The past is relived in the present and moments thought lost are regained as
anticipation of the note to come (that is known to the listener) connects with memory senses (moments, places, smells, tastes, sounds, feelings) and absorbs the individual into the collective activity. The activity has been planned and scheduled for a specific interval in the day (objective time) but there is variety in the subjective experiences of participants, especially with regard to affective dimensions, temporal sensemaking, and feelings of place, space and time. These activities in turn engage staff in further dialogue providing source material for storying of what has been achieved and what might be achievable through further collaboration and developments.

In these research examples we have attempted to show how stories afford new pathways in changing organizations. They are not simply retrospective sensemaking devices but are part of everyday lived experience that assimilates the past and future within the ongoing present. Time is often marked out by the clock, by the chronological time of being over 65 years of age, but time is also lived time through performativity, reflection and anticipation. Our study illustrates how the circulation of retrospective stories are re-worked prospectively as organizational actors intra-act in specific temporal and socio-material contexts and practices. Dominant narratives and their discursive power to include and exclude people with disability are made evident in embedded policy stories. While the performance of managing or providing activities and care is shown to be embedded in material and affective entities. New stories, more fragmented and terse and not yet part of organizational memory, emerged with creative power to shape present and future practices. In this way, the sensemaking power of stories is used to relate and represent events that have occurred, whilst also giving sense and shaping meaning of what is occurring and enabling a prospective sensemaking of future possibilities.

We contend that stories are more than what are represented in their various forms and cannot be wholly explained by narrative analyses. Beyond the narration and the written document there is the image, the emotion, the affectivity, the social and material intertwining as stories are continuously constructed, revised and reshaped. These variously emerging and established stories shape the processes of change that they may also describe and are reconstituted through the unfolding of time in
which the past may be reinterpreted in giving sense to a future that has not yet occurred but just remains a possibility. As collective sense making devices they can partition, divide and create barriers to change, but as our Nadia story usefully illustrates, the story may also move from a depiction of ‘a problem’ to a story that provides ‘a forum’ to collective engagement in the re-storying of collaborative possibilities. The affective dimension of music that interweaves in the stories of lived experience also provides a good illustration of the bridging and collaborative developments that can occur, whilst also attending to the import of affect that is not separate/reducible but a part of ongoing stories. As such, the blurring of boundaries and time, of socio-materiality and the notion that everything exists in relation to everything else, all comes into play in understanding the place of stories in changing organizations. We have attempted to clarify not only the work of stories in shaping the complicated processes of change, but also in the level of complexity including time, space, materiality and affect (the often overlooked dimensions of subjective time), as the bearers of issues that can make or break change.

Although no long-term and widespread change occurred during our research in dealing with this difficult transition issue, what is clear is that the storytelling process was influential in new commitments and actions; and in this, new innovative solutions and possibilities were enacted in new stories. As senior managers discussed the creative possibilities in the funding and policy space, middle managers and front line staff operationalized and implemented important collaborative steps bridging divisions and separations. In the future, if the more challenging options are to be fully realised of mainstreaming the day care activities undertaken as part of the Pilot, to the multiple IRT sites and/or to include people with more challenging disabilities such as behavioural issues, then much work remains. On a practice note, if the scope of the transition is to move beyond day care activities to forms of residential care, new and greater challenges will need to be addressed around residential care and transitional processes. Perhaps the next step ought to be a further incremental move to respite care so that the ageing carers are supported both in terms of relief from caring responsibilities for periods of time and the person with disability becomes familiar with a new ‘home’ environment. Whatever actions are or are not taken, as
the problem continues to expand in step with an ever ageing population the imperative for policy reform will also burgeon.

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How to Transcend the Barriers of Entry to University for Adolescents with Autism.

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Kelvin Grove, Queensland, Australia
m.igarashi@qut.edu.au

ABSTRACT

Alternative Pathways to University, hereafter the APTU project is an education initiative for teenagers with autism, particularly high functioning autism or Asperger’s Syndrome. It challenges reform to the institution of education by advocating an innovative transition program for teenagers who do not have formal secondary education. The APTU project is a post-secondary program with a unique learning environment that endeavours to raise awareness of discrimination in tertiary education entry.

The research uses appreciative inquiry to identify good practice and ensure implementation of the action research (Bushe, 2013). The main strengths of appreciative inquiry are providing a new outlook, reducing stereotypes, instigating change, encouraging commitment and involving participants (Shuayb et al 2009). It is valuable in researching problematic social phenomena especially in education. The research investigates the legitimacy of the APTU project by collaboration with stakeholders such as autism associations, authors, autism centres, founders of innovative schools and health-care professionals.

KEY WORDS

Post-secondary transition, pathways to university, adolescents, autism

THE APTU PROJECT

The APTU project is a social response to the education of adolescents with autism, particularly Asperger’s Syndrome, AS. Although the prevalence of autism is rising (Baron-Cohen et al, 2009) (Attwood, 2007) and early intervention projects such as AEIOU are emerging in the market, there is an unmet social need for the education of adolescents with AS. Discrimination in education impacts employment opportunity and increases the number of adolescents that are Neither in Education, Employment or Training, NEETs. Queensland’s current schooling system provides for special education units but they are not present in every school.
The APTU project endeavours to increase awareness of this problem and provides an alternative pathway to university for adolescents without formal schooling. It advocates a flexible education solution by advocating a post-secondary transition program. There are six major areas which the APTU project has identified as crucial for effective learning for students with AS.

- Curriculum – specialist subjects
- Environment – supportive learning environment
- Time – learning at their own pace
- Assessment – not socially constructed
- Supportive Relationships – a significant person
- TAFE and VET – alternative pathways to university

The APTU project recognises the value of a significant caring long-term relationship to support the education of adolescents with AS. This could be a parent, grandparent, relation, teacher, health-care professional, friend or mentor. Where secondary schooling is no longer an option, the APTU project advocates adopting Tertiary and Further Education, TAFE or Vocational Education and Training, VET as an alternative pathway to university entry.

THE SOCIAL CHALLENGE

Because education and training are crucial for employment this study investigates alternative pathways to tertiary education for students who do not complete formal schooling. Although most countries have a legal framework for inclusive education, there is a lack of equity whenever implementation creates barriers of entry. This study reveals that post-secondary inclusive education remains at a conceptual level in Australia. In the USA, there are universities that have successfully implemented post-secondary inclusive education such as Taishoff Centre (Syracuse University) and On Campus (University of Alberta). Australian universities have inclusive practices for Aboriginal and Torres Strait Islanders, multicultural, international and adult students as well as structural support for students with physical disabilities such as toilets and ramps, however there is a lack of support for adolescents with
autism. The APTU project proposes an innovative transition program to tertiary education.

The APTU project provides a program delivered in an innovative learning hub suitable for students AS. It is an inclusive education initiative. Students with AS have a qualitative impairment in social interaction, failure to develop peer relationships and marked impairments to regulate social interaction, according to the diagnostic criteria outlined by DSM-IV, recently revised as DSM-5 (American Psychiatric Association, 2013). As a consequence, these students are challenged whenever they are assessed by a socially constructed education assessment system. The APTU project offers a unique education environment with an online learning platform where adolescents with AS can be scaffolded by teachers, parents, grandparents, siblings and their local community until they have acquired the educational resilience to secure tertiary placement; a clear post-secondary transitional pathway from school to tertiary education and employment; guidance and consultancy for schooling students with disability and a publication platform for parents and adolescents for social support.

How will the APTU project disrupt the status quo of the existing education system and gain acceptance as a legitimate independent alternative model of education? The focus of this paper is to explore and initiate ways to provide legitimacy for the APTU project so that the program can be successfully implemented. The literature review explores the theory of institutions, legitimacy and the role of social networks and outlines the major insights. The research embraces the value of social entrepreneurship as an agent of change.

Entrepreneurship has been defined as a method of human action, “a powerful way of tackling large and abiding problems at the heart of advancing our species” (Savasvathy and Venkataraman, 2011, p.130). Edelman and Yli-Renko (2010) describe two divergent perspectives regarding entrepreneurial action, the discovery
and creation perspectives. The discovery perspective considers the source of entrepreneurial opportunity to be the outcome of an objective environment, conditional only upon entrepreneurial alertness (Kirzner, 1973) and access to resources. The resource-based theory, RBT considers that access to resources determines the success of new ventures (Barney, 1991).

Proponents of the creation perspective consider that there are other significance factors which contribute to the theory of entrepreneurship. These include the study of entrepreneurial perception, cognition and the innovative use of social resources. DiDomenico, Haugh and Tracey (2010) describe the creative entrepreneur as refusing to be constrained by limitations, persuasive, improvising, encouraging stakeholder’s participation and creating social value. The creative perspective sees entrepreneurial opportunities as a product of social constructions effectuated by the entrepreneur. Effectuation is achieved by “sustaining, persevering, striving, paying with effort as we go, hanging on and finally achieving our intention – this is action, this is effectuation” (Sarasvathy, 2001, p.243). The APTU project is an example of how entrepreneurs engage, create value and effectuate their environment. The socio-cognitive style of an entrepreneur identifies the problems in society for which the entrepreneur endeavours to create solutions (Gartner, 1989). It is the internal, intentional force which effectuates the innovation and provides the entrepreneurial motivation (Carsrud and Brannback, 2011). Since new ventures have a high probability of failure, fast-tracking failure is considered an entrepreneurial skill. Bandura (1977) matches the strength of one’s efficacy expectations with one’s willingness to engage in the actions of change. The theory of entrepreneurship is approaching a scientific conceptual framework and current researchers are hypothesising expected outcomes (Shane and Venkataraman, 2000). The APTU project is an emerging enterprise and its development can be understood by the theories of effectuation and the creation perspective. However, it is constrained by the rules and regulations of the institution and therefore the APTU project must establish legitimacy before it can disrupt the establishment of the educational institution.
RESEARCH

The research for this project uses appreciative inquiry, AI to identify good practice and ensure implementation of the action research (Bushe, 2013). The main strengths of AI are providing a new outlook, reducing stereotypes, instigating change, encouraging commitment and involving participants (Shuayb et al 2009). It is valuable in researching problematic social phenomena especially in education. This framework allows an investigation of the legitimacy of the APTU project. Collaborative inquiry was conducted with the following key stakeholders:

• Directors of leading autism research centres in Australia and UK
• Founders of international innovative niche schooling initiatives
• Autism associations
• International authors of autism
• Social entrepreneurs and business leaders and
• Social workers, doctors and psychologists
### Table 1: List of Interviews

<table>
<thead>
<tr>
<th>Institution</th>
<th>Position</th>
<th>Type of enterprise</th>
</tr>
</thead>
<tbody>
<tr>
<td>AEIOU</td>
<td>Director</td>
<td>Learning Hub</td>
</tr>
<tr>
<td>Asperger Services Aust.</td>
<td>Secretary</td>
<td>Association</td>
</tr>
<tr>
<td>Australian Acquisition Corp</td>
<td>CEO</td>
<td>Post-secondary program</td>
</tr>
<tr>
<td>Autism Research Centre</td>
<td>Author, Director</td>
<td>Education</td>
</tr>
<tr>
<td>CAMFED</td>
<td>Founder, Director</td>
<td>Social Enterprise</td>
</tr>
<tr>
<td>Eleven-Plus-Exams</td>
<td>Founder, Director</td>
<td>On-line Learning</td>
</tr>
<tr>
<td>KATHA</td>
<td>Founder, Director</td>
<td>Social Enterprise</td>
</tr>
<tr>
<td>Minds &amp; Hearts</td>
<td>Author, Chairperson</td>
<td>Therapy Centre</td>
</tr>
<tr>
<td>National Health Service</td>
<td>Social Worker</td>
<td>Consultancy</td>
</tr>
<tr>
<td>Park Road Medical</td>
<td>Psychologist</td>
<td>Consultancy</td>
</tr>
<tr>
<td>Priory College</td>
<td>Director</td>
<td>Post-secondary education</td>
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<tr>
<td>Realize Autism Service</td>
<td>Education Specialist</td>
<td>Consultancy Service</td>
</tr>
<tr>
<td>Southlands School</td>
<td>Principal</td>
<td>Specialist School for AS</td>
</tr>
<tr>
<td>University Queensland</td>
<td>Deputy pro vice-chancellor</td>
<td>Alternative Pathways</td>
</tr>
<tr>
<td>University Queensland</td>
<td>Deputy Head UQ School of Education</td>
<td>Post-secondary program</td>
</tr>
</tbody>
</table>
Table 2: Social networks and supporting resources

Professional contacts interviewed regarding the support for AS Learning Hubs

- Deputy Head, School of Education UQ
- Deputy pro vice-chancellor (external relations), UQ
- CEO, Australian Acquisition Corp

Specialist colleges and schools for AS visited in the UK

- [http://www.priorygroup.com/Locations/Wales/Priory-Coleg-Wales.aspx](http://www.priorygroup.com/Locations/Wales/Priory-Coleg-Wales.aspx)  Priory College, Wales, Simon Coles, Principal

Innovative schools websites for niche learning opportunity with whom I networked

- [www.ElevenPlusExams.co.uk](http://www.ElevenPlusExams.co.uk)
- [www.katha.org](http://www.katha.org)
- [www.camfed.org](http://www.camfed.org)

Prominent international authors with whom I interviewed regarding the school for AS

- Professor Simon Baron-Cohen  sb205@hermes.cam.ac.uk
- Dr Tony Attwood  dawn@tonyattwood.com.au

Literary agents in Australia

- Diversity Management email  bill@diversitym.com.au

Online publishing platforms for AS Online Platform

- iBooks is an e-book application from Apple using ePub or PDF format. Self-published books can be submitted directly to the iBookstore or a third party aggregator such as Lulu or Smashwords useful for acquiring an ISBN.  [http://www.lulu.com/us/en/publish?cid=en_tab_publish](http://www.lulu.com/us/en/publish?cid=en_tab_publish)

Jessica Kingsley Publishers specializes in publishing books on AS.

- [www.jkp.com](http://www.jkp.com)
THEORY OF INSTITUTIONS

Education Institutions

Education is a long-standing established institution (Meyer, 1977); (Meyer and Rowan, 1977; 1992). In Australia, the institution of education creates the social fabric that engages young people from preschool to post-secondary education. Adults also return to the education system many years after formal schooling and update and upgrade their skills and knowledge. Globally, education is one of the most significant processes in which students can engage and improve their position in life. The No Child Left Behind Act of 2001 is an ambitious goal that aims to provide public education for all children in USA. In Australia, the adoption of the new Australian Curriculum in October 2011, the NAPLAN Summary Report and the Australian Curriculum, Assessment and Reporting Authority, ACARA, required assessment credentials for every student so that National standards of education are available to all students including those students with disabilities.

Economic Institutions

Institutional theory is concerned with how organisations prove their legitimacy by conforming to the norms of the institutional environment (Scott, 2007); (Meyer and Rowan, 1991). An institution has a common set of rules determined by the law, government regulation, professional standards, courts and cultural practices. The institutional pillars are rational, normative and cognitive (Bruton, Ahlstrom and Li, 2010). These may be unwritten laws handed down by ancient ancestors such as the tribal laws of Indigenous Australian Aborigines. It is the institution which defines the barriers of entry and what actions are considered legitimate. The institution provides the basic building blocks for social, economic and political phenomena (DiMaggio and Powell, 1991). Institutions reduce uncertainty by providing objective, historical and dependable frameworks (North, 1990). Institutions, particularly political and economic institutions determine the rules of the game such as monitoring, enforcing, industrial agreements, professional standards and government legislation which limit the range of opportunistic behaviour, the contracting costs and market entry (North, 1990). Disruptive entrepreneurs continually destroy the state of equilibrium
determined by the market (Schumpeter, 1942) but may not be able to establish a new state of equilibrium without a social device (Kirzner, 1999). While endeavouring to perpetuate change, entrepreneurs must manage the normative aspects of institutions, their own individual creativity, market disequilibrium and autonomy (Seo and Creed, 2002). The effort to change institutions is continually under pressure and relentlessly gravitating back to stasis. Actors of change use authority, legitimacy, social capital and discourse to undermine institutions and begin mobilisation (Battilana, Leca and Boxenbaum, 2009).

**Social Institutions**

Social institutional theory focuses on social and cultural norms. Cultural embeddedness constrains social interactions and affects an individual’s ability to operate outside the social institutional framework (Kistruck and Beamish, 2010). Although the concept of a separate environment penetrates organisational theory, social institutional theory challenges the notion of separateness and individual behaviour advocating that cultural and social norms are embedded in the organisational environment. Culture is one of the means by which normative and cognitive structures are transmitted. The APTU project must embed in the social fabric of Australian culture and establish authority and legitimacy before it can become an independent and valued social venture.

**DEVELOPING LEGITIMACY**

Legitimacy is the right to perform an activity in the social system which may require professional, cognitive, cultural and behavioural acceptance (Aldrich and Foil, 1994); (DiMaggio and Powell, 1983). When entrepreneurs create new products, they must develop legitimacy within that society because institutional change is slow and difficult to construct (Ahlstrom and Bruton, 2001; 2003). Pragmatic or instrumental legitimacy (Suchman, 1995) occurs when individuals support an institution because of a higher perceived value than if it were to be absent. This is fundamentally different from moral legitimacy which occurs when the institution is perceived to be
upholding a socially constructed value system. Cognitive legitimacy is a variant of legitimacy because the institution has achieved unquestionable status and has become self-reinforcing (Meyer and Rowan, 1977); (Meyer and Scott, 1983).

The strategic approach to legitimacy is an alternative theory to the institutional approach and considers legitimacy to be deliberately engaged (Greenwood and Suddaby, 2006). The role of the institutional entrepreneur is to legitimise new ideas and practices within the institution. “Changes in organisational forms, practices and policies require that new arrangements be viewed as more legitimate than existing ones” (Tost, 2011, p.686). These changes germinate at a micro level in the interactions among people in the collective system. Foreign alliance partners provide legitimacy to new companies which endeavour to trade beyond the local social system because of access to reputable foreign social capital.

**Social Network Theory**

Social networks provide valuable human capital and have the ability to further provide information resources for new ventures (Myint, Vyakarnam and New, 2005). The ability to access this information is vital to the success of new start-ups. Robinson and Stubberud (2011) examine European business owners and find that entrepreneurs of new ventures with more than 10 employees use well-developed informal social networks whereas small businesses refer to family and friends and formal professional consultants. Social competence is a contingency to the successful development of social capital (Baron and Markman, 2003). Social competence includes the entrepreneur’s ability to perceive the benefits of their existing social ties, hence adapt socially and ultimately derive value for the firm. The potential exchange of social capital and the effectiveness of relational capital is further dependent on the status of the players. The greater the status difference, the more difficult it is to develop social capital (Collins, Uhlenbruck and Reutzel, 2011). The reputation of the entrepreneurial firm will also assist in developing social capital with established firms.
Entrepreneurs need to leverage the limited human resources that are available for their new start-up, so another effective interaction is to develop a business partnership with a potential competitor (Alvarez, Ireland and Reuer, 2006) or an inter-organisational relationship (Lu and Beamish, 2006). These arrangements provide a means in which communication and trust can be readily exchanged between parties, reducing the cost of governance and accelerating knowledge transfer (Alder and Kwon, 2002). Whenever a network is homogeneous, identification with the group is prevalent and the actors focus on shared outcomes.

How does the APTU project leverage networks to increase its social resources and capitalize its legitimacy? The focus will be to source networks with a shared interest in the educational outcomes for AS students such as disability services, professional associations, schools, education departments, tertiary institutions and practitioners in consultation with AS adolescents.

**Establishing legitimacy**

Institutional theory is concerned with how organisations prove their legitimacy by conforming to the norms of the institutional environment. Institutions reduce uncertainty by providing objective frameworks that monitor and enforce the rules of engagement such as professional standards and government regulation which limits market entry. The institution provides the basic building blocks for the social, economic and political environments. Education is an established institution. The success of the APTU project will largely be determined by its ability to establish legitimacy within the institution of education.

Cultural embeddedness constrains social interactions and affects the ability of a new initiative to operate outside of the institutional framework. When entrepreneurs create new products they must develop legitimacy. Legitimacy is the right to perform an activity in the social system which may require professional and behavioural acceptance. The first significant insight from the literature is that all new project must be able to establish legitimacy. Once this has been established the new initiative can be implemented.

**Leveraging social networks**
Social networks provide valuable human capital and have the ability to provide legitimacy for new start-ups (Myint, Vyakarnam and New, 2005). The ability to access information and human resources through a well-developed social network is essential for the success of new ventures especially for larger business no longer relying on the advice of family and friends. How does an initiative like the APTU project leverage social networks to capitalise legitimacy? The initial focus will be to expand its existing social networks and invest time in social capital by contacting people who have a shared interest in students with AS. These include members of parliament from Disabilities Queensland, the Board of Asperger’s Services Australia, researchers from universities such as the faculty of education, specialist psychologists in consultation with AS patients, teachers from Queensland Education Special Education Unit, authors of books on AS and students with AS in educational institutions. The focus of the APTU project is an investment in the intangible asset of social capital and a commitment to building strong networks to support independence and legitimacy.

**BARRIERS OF ENTRY TO UNIVERSITY**

**Asperger’s Syndrome and its prevalence**

A recent study by Baron-Cohen et al (2009) reported a current prevalence of ASD of 1 in 100, or 1% of the population. The Autism and Development Disabilities Monitoring are consistent with this statistic. AS are subtypes of autism and its reported prevalence depends partly on which diagnostic test is used. Attwood (2007) reported 1 in 280 people in Australia. There is no doubt that AS is increasing. Australia’s population is currently over 22 million people so an estimate of people with AS could be as high as 80,000 people. There are also many students with AS who are undiagnosed or misdiagnosed with Attention Deficit Disorder, ADD. The World Health Organisation, WHO first published the International Classification of Diseases, ICD-10 in 1993 and included AS in the Pervasive Developmental Disorders, PDD. In 1994, the American Psychiatric Association included AS in the Diagnostic and Statistical Manual of Mental Disorders, DSM-IV, however people with
AS have unusual cognitive abilities and are often described as high functioning autism, De Myer et al (1981). AS was excluded from mental retardation in the by the American Psychiatric Association as the diagnosis of AS is commonly within IQ normal range. However, this cognitive potential is frequently misplaced because of the social and communication impairment associated with AS. For example, a student with AS may excel with a lesson delivered digitally via an online media but fail to understand the same concepts when presented by a teacher due to the complex social and linguistic dimensions which confuses the sensory input of students with AS. As a result they appear to fail intellectually when in actual fact they may be very intelligent and high functioning students.

**Transition programs**

Transition programs from formal schooling to university are imperative so that students with disabilities can develop the self-advocacy skills necessary to survive campus life. (Eckes and Ochoa, 2005) Representatives from the universities need to be involved in transition workshops in high schools and community venues for students with disability. Transition specialists have the task of informing students of all relevant aspects of university life. Students with disabilities such as those with autism find transitioning extremely difficult because of their commitment to rigid patterning behaviours (DSM-IV). The role of the transition specialist is to familiarise the student with the changes that are required of them at university.

**Self-advocacy skills**

Self-advocacy skills provide students with the choice to state their preferences during the transition process so that they can participate on campus and overcome any difficulties they might face at university. Students will need to strengthen their self-advocacy skills to participate in the services available to them as a post-secondary student. Although disclosure of disability is a personal and uncomfortable area, administration and staff will not be able to accommodate special needs if the
student is not willing to communicate. At university, the burden shifts to the student to be more proactive in getting their needs met.

**Support services**

Support services include access of specialist resources, training of staff, awareness about diversity, referral services, encouraging disclosure, emotional support and minimising stigma. Guzman (2009) investigated the discrepancy between a conceal framework and the implementation of such services. There may be a philosophy of inclusion on university websites; however the support services necessary for inclusion could be lacking. For example, students with AS require support with social interactions, verbal and non-verbal communication. They may also require support services such as preferential seating in classrooms, note-taking assistance, extended exam time, moderately reduced course loads, leave of absence, financial aid and registration assistance. (Smith, 2007)

**Community programs**

Post-secondary programs that are based at community colleges provide an opportunity for integrated tertiary experiences (Neubert et al., 2002). Locating a community program for disabled students on campus provides accessibility and inclusion in an age-appropriate setting and allows post-secondary students with disabilities an opportunistic location to meet peers in academic classes, sports, music, social activities and events. Peers, staff, health providers and volunteers play an invaluable role in promoting inclusion in community colleges.

**Stigmatisation**

Perceptions of stigma undermine students’ ability to self-advocate and their willingness to disclose their specific needs. Self-advocacy, self-regulation, internal locus of control and self-knowledge are components of self-empowerment. (Butler, 2009) The need for these competencies increases as the student progresses from
the security of the home environment through the education system from preschool, primary, secondary and post-secondary education. A positive perception of college provides the basis for control, self-determination and resilience. (Brackin, 2005) Students must navigate the new learning environment with far less support than at school. Individualised coping strategies must be developed for each student according to their ability (Schlaback, 2008).

CONVENTIONAL PATHWAYS TO UNIVERSITY

The conventional pathway to university entry in Queensland is the attainment of an Overall Position, the OP score which grades the student’s position in the state at the exit of high school. Queensland Tertiary Admissions Centre, QTAC uses the OP score as the criteria for university entry similar to the University Admissions Centre using the ATAR, to rank students in NSW. Not all students have an equal opportunity to obtain the OP. Numerous disruptions during adolescence including long periods of illness or accident, divorce in families, time spent abroad with parents and disability may result in an intellectually capable student being excluded from this conventional pathway to university entry. Why is the score so significant to their future tertiary opportunities and why should it determine potential university entry? For students with AS, adolescence is possibly the most turbulent years of their development due to the increased social demands of peer integration at a time when they are the most emotionally vulnerable, Attwood (2007). The social demands of the education system can outweigh the social resilience of a student with AS and as a result, they may also fail at an academic level.

The Educational Access Scheme, EAS is a pathway offered by universities in Queensland which allow concessions for disability and hardship. QUT offers the equivalent of up to three bonus OP bands for all EAS categories. Other universities that are part of the EAS scheme are CQ University, Griffith, University of Queensland and University of Sunshine Coast (QTAC 2013). The APTU project embraces students with AS because their diagnostic criteria does not generally include intellectual impairment, APA 2000. It is their social impairment that creates a more likely barrier of entry.
The Australian Qualifications Framework, AQF

The AQF was introduced in Australia in 1995 as a framework of post-compulsory education and training. AQF qualification includes three possibilities, secondary school certificate of education; vocational education and training, VET sector accreditation and higher education degrees and diplomas. In Australia, it is compulsory for students to remain in secondary education until the age of 16 - 17 years (depending on the state). Many high schools have developed VET courses for students. VET was the traditional pathway for students who preferred to pursue a trade such as hairdressing or plumbing rather than a profession through university. The motivation for this research is to provide students with disability a pathway to university so that VET itself is not the endpoint.

Current Alternative University Entry

Universities use systems of student selection based on many variables including competency, the students’ ability to pay the required university fees, domestic or international student status as well as some other promising alternative pathways. In Australia there are the following alternate pathways. Whether these existing pathways provide a suitable entry for students with disability is the subject of this paper.

- Mature age entry
- STAT special tertiary admissions test
- Competency based entry
- Aboriginal and Torres Strait Islanders
- Qualification other than secondary school certificate

The University of Queensland provides numerous admission criteria as alternative entry options to enable unsuccessful OP students to regain the prerequisites necessary to improve their selection chances. In the admissions leaflets and publications (p.74252), University of Queensland include the following:

- Senior external examinations
- Certificate IV in Adult Tertiary Preparation, CATP
Griffith University also has alternative entry pathways. Mature age students, defined as persons of at least 21 years of age qualify for admissions on the basis of non-formal educational attainment. For a mature age student, work experience provides one avenue for alternative entry. QTAC applicants apply for the PCA; Personal Competencies Assessment process which assesses a mature age student’s potential for tertiary study and considers skills not taken into account under the standard assessment procedure. Mature age students also do a two hour test called STAT, Special Tertiary Admissions Test to provide an indicator of their aptitude for tertiary study. The age requirement of mature age students would exclude a student with disability who is 16-20 years old and who was not been able to complete formal education.

Inclusive post-secondary education models in USA

AHEAD, University of Arizona

The vision statement of this program is “AHEAD envisions education and societal environments that value disability and embody equality of opportunity.” AHEAD is a professional association committed to full participation of persons with disabilities in post-secondary education. It is a program which promotes equal participation by individuals with disabilities in higher education, supporting the systems, institutions and professionals. Its mission is to disseminate information, value diversity, promote leadership, provide resources, make equitable and usable post-secondary environments and provide a philosophy that views disability as an interaction between the person and the environment.

On Campus, University of Alberta
The University of Alberta has a post-secondary inclusive education model which has been operating for over 20 years. Brown et al., 2007 describes the university life of graduates who participate on campus in music, sports, social events, friendships, alumni support, employment, post-graduation and community involvement. Students who have significant developmental disabilities are the catalysts for social change because their participation positively challenges the attitudes, perceptions and awareness of able students both on campus and in the wider community. (Weinkauf, 2002)

**Taishoff Centre, Syracuse University**

The Taishoff Centre for inclusive higher education at Syracuse University offers training, resources, support and research to individuals with disabilities providing them with successful strategies so that these students can attend college. The students at Taishoff have significant intellectual and developmental disabilities such as Down’s syndrome and autism. The centre aspires to full and equal participation in the following areas:

- Sharing information with other institutions
- Collaboration with staff, family and conferences
- Supporting students with disability through On Campus and Access programs
- Research into public policy, community living, student growth, transitioning and economic models for inclusive education.

**CONCLUSION**

Research conducted in this study indicates that there is widespread support for innovative transition programs for students with AS. In the USA and UK, there are colleges which provide specialist education for these students. This is not the case in Australia. The APTU project endeavours to fill this gap. Institutional theory suggests that the success of any innovative educational project is linked to establishing legitimacy. The way forward for the APTU project is to develop legitimacy by leveraging existing networks and expanding social networks in education. It will take
time to develop sufficient legitimacy to disrupt the institution of education and become an effective agent of change, however once the APTU project is implemented, the most exciting vision is to expand the project to embrace all disabilities and champion every student to find an alternative pathway to university.

REFERENCES


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The Wellbeing Game-Supporting Real World Wellbeing through Online Play.

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ABSTRACT  
The Wellbeing Game (www.thewellbeinggame.org.nz) is an online game designed to support players’ mental wellbeing by making them more aware of how they keep themselves well. 1096 people signed-up for the 5-week game in 2012. Players completed short Warwick-Edinburgh mental wellbeing scales at the beginning and end of the game, and a follow-up survey after the game. Among all survey responders, there was a significant increase in Warwick-Edinburgh wellbeing (25.2-26.4, p < 0.001) and 65% felt that the game had improved their wellbeing. The game is highly scalable so has the potential to improve wellbeing in many people at once.

KEYWORDS  
Wellbeing, Five Ways to Wellbeing, Online, Game, Christchurch, Public health, Positive mental health

INTRODUCTION  
The World Health Organization defines positive mental health as “a state of wellbeing in which every individual realizes his or her own potential, can cope with the normal stresses of life, can work productively and fruitfully, and is able to make a contribution to her or his community” (World Health Organization, 2012). As mental wellbeing is a positive state, rather than merely the absence of a mental illness, it is possible for different individuals to have a wide range of levels of wellbeing (Figure 1). Individuals with very good mental health and high levels of wellbeing are said to be flourishing, while those with poor mental health, although no overt illness, are said to be languishing (Huppert, 2009). A small improvement in the wellbeing of many people may result in a substantial improvement in the overall wellbeing of the population, even if there is only a small change in the number of people experiencing overt illness.
In Figure 1, Panel A: Individuals without a specific mental disorder are said to be functioning, but some may be languishing with poor mental health. Individuals functioning with very high levels of wellbeing are said to be flourishing. Panel B: A small improvement in the wellbeing of all members of the population results in a substantial increase in the number of people who are flourishing and a decrease in the number of people who are languishing. Taken from Huppert (2009).

In Canterbury, the importance of supporting wellbeing was magnified by the series of major earthquakes which struck the region between September 2010 and December 2011. Following the first earthquake, Ciaran Fox (Mental Health Foundation Health Promoter) presented the ‘Five Ways to Wellbeing’ to a series of community meetings. The Five Ways to Wellbeing - Connect, Be Active, Take Notice, Keep Learning, and Give - are a set of evidence-based actions developed by the New Economics Foundation and designed to help individuals support their own mental
wellbeing (Aked, Marks, Cordon, & Thompson, 2008). Performing activities which correspond to each of the five ways is essential to maintaining good functioning and helps to promote flourishing (Aked et al., 2008; New Economics Foundation, 2011). The evidence used to generate the five ways is succinctly summarised by Aked et al. (2008). The Five Ways were well received in Canterbury, but it was felt that simple information sharing would be insufficient support given the challenges faced by the Canterbury community.

Perceiving these problems, Michelle Whitaker (Healthy Christchurch Community Wellbeing Coordinator) conceived the idea of reinforcing the Five Ways to Wellbeing by having people record activities which mapped to the Five Ways in a game format, similar to exercise programmes such as the 10,000 Steps Program (Vitality Works, 2009) and the Global Corporate Challenge (Get the World Moving Limited, 2013). Michelle quickly recruited Chris Ambrrose (Canterbury District Health Board Information Systems Development Specialist) and Ciaran Fox to develop the concept in time for delivery during 2011 Mental Health Awareness Week. From inspiration to approval by all three groups took just five days, and the first edition of TWBG was developed in just seven weeks. The inaugural game was successfully delivered during Mental Health Awareness Week and ran for four weeks from 10 October to 7 November 2011. The game is run under the auspices of Healthy Christchurch (a network of over 200 organisations each with an interest in the health of Christchurch residents) with the support of Canterbury District Health Board and the Mental Health Foundation.

As an online game, The Wellbeing Game (TWBG, http://www.thewellbeinggame.org.nz/) has the potential to reach a very wide audience for a relatively low cost. Playing TWBG requires players to think how their daily activities map to the Five Ways to Wellbeing. It is intended that by becoming more aware of how their activities fulfil the five ways, players will gain a better understanding of what thoughts and actions support their wellbeing, and in turn will become better able to choose a lifestyle which promotes wellbeing (Aked et al., 2008). To the author’s knowledge, there is no published research investigating how awareness of activities which generate positive emotions might improve wellbeing.
However, considerable research attention has been devoted to mindfulness, which is a similar concept. Like the awareness reported by TWBG players, mindfulness is a conscious awareness of emotions and sensations as they are experienced (Baer, 2009). In contrast to the awareness of positive experiences created by TWBG, mindfulness emphasises that people should acknowledge all sensations without judging them as good or bad (Baer, 2009). There is considerable evidence that mindfulness training courses increase participants’ ability to be mindful and improve their wellbeing (Baer, 2009; Goodman & Schorling, 2012; Grossman et al., 2010; Grossman, Niemann, Schmidt, & Walach, 2004; Neff & Germer, 2013; Nyklíček & Kuijpers, 2008), and that greater mindfulness is associated with better wellbeing (Howell, Digdon, Buro, & Sheptycki, 2008). Although it is not clear whether the positive awareness created by TWBG will have the same effect as the non-judgemental awareness created by mindfulness training, these studies demonstrate that awareness based interventions can have a positive impact on wellbeing.

The 2012 edition of TWBG ran from 8 October to 9 November and was the second time the game had been made available to the general public. The game had received extensive revision after evaluation of the inaugural 2011 game plus two limited-participation pilots held in a school and workplace in early 2012. The evaluation described in this report is intended to determine the effect of participation in TWBG on players’ overall wellbeing and their understanding of what thoughts and actions support their wellbeing. In addition, the evaluation identifies opportunities to increase the impact of TWBG across the population.

METHODS

The launch of the 2012 edition of TWBG was timed to coincide with 2012 Mental Health Awareness Week. The game was publicised through existing Healthy Christchurch and Mental Health Foundation networks and was promoted primarily as a workplace wellness opportunity.
### Data collection

Players were able to sign up for TWBG via the web page at any stage during the game. Upon initial signup, players provided their age, gender, and contact details and were asked to complete a Warwick-Edinburgh mental wellbeing scale (PreWE, Tennant et al., 2007). Players also had the opportunity to create or join a team. When a team was created, the player creating the team provided a team name, and optionally a team organisation and team city.

During the game, players were able to log in at any time to record their activities. The game engine recorded when players entered activities, the number of hours, which “winning ways” were tagged, and a brief description of the activity. There was no requirement or opportunity to describe when an activity was performed, just the amount of time taken. Players were provided with feedback about the number of hours recorded by themselves and their team relative to other players and teams. Players were rewarded with virtual badges as recognition for passing various thresholds of activities or hours recorded against specific criteria. There were also four communiqué emails sent out to all players to provide progress updates on the game and encourage players and teams to keep playing. Any players who logged in during the last week of the game were asked to complete a second Warwick-Edinburgh survey (PostWE).

After the game finished, players were classified for the purposes of evaluation into one of four categories designed to describe their level of engagement with the game (Table 1). Players who had logged in to record activities on many different days were classified as more engaged than players who had logged in to record activities on only a few days.
Table 1

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
<th>Criteria</th>
</tr>
</thead>
<tbody>
<tr>
<td>Signups</td>
<td>Joined but didn’t play</td>
<td>Players who did not record any activities</td>
</tr>
<tr>
<td>Starters</td>
<td>Played a little but never really got going</td>
<td>Players who recorded activities on two or fewer days</td>
</tr>
<tr>
<td>Participators</td>
<td>Became engaged, but stopped before the end</td>
<td>Players who recorded activities on three or more days but with EITHER no activities during the last week OR two weeks in which no activities were recorded</td>
</tr>
<tr>
<td>Finishers</td>
<td>Played the whole time</td>
<td>Players who recorded activities during three or more weeks including the last week OR who joined with less than three weeks remaining with activities in all the weeks since they joined</td>
</tr>
</tbody>
</table>

Table 1: Engagement categories based on the number of days on which players logged in to record activities. Categories are listed in order from least engaged to most engaged.

Three weeks after the game all players were sent an email requesting they complete an online post-game feedback survey. The survey used a mix of qualitative and quantitative questions to investigate how players felt TWBG had affected their wellbeing, why players chose to sign up for TWBG, why players continued to play or stopped playing, and how players thought the game could be improved. As far as possible, the same survey questions were used across all engagement groups. However, in some cases it was necessary to tailor the questions to the level of engagement (e.g. “Why did you keep coming back to play TWBG?” and “Why did you stop playing TWBG?”).

An estimate of the resources used to deliver the game was generated by examining staff records and meeting minutes combined with estimates from the staff involved.
**Data analysis**

Differences in players’ level of engagement across age, gender, and team membership groups were investigated using Chi-squared tests. Gender differences in the reasons players signed up for TWBG were investigated using binomial tests.

In order to reduce the bias due to lower survey response rate in less engaged players, responses were stratified by level of engagement and overall engagement-corrected estimates were calculated for the following data: how players heard about TWBG, why players signed up for TWBG, why starters and participators stopped playing TWBG, self reported team involvement, additional feature preferences, and self reported changes in wellbeing. The corrected estimate was the weighted mean of the individual means for each of the four engagement categories weighted by the total number of players in each of those categories.

Open ended questions were analysed using a thematic analyses. Each analysis was performed in four stages: 1) the researcher read through all comments to become familiar with the material and identify prominent themes; 2) the researcher read through all comments again and allocated each comment to one or more themes, identifying additional themes as required; 3) the researcher reviewed the identified themes and relevant comments to consolidate redundant themes and group related themes; and 4) themes were prioritised based on the number of comments received and a narrative summary of the highest priority themes was produced. The narrative summaries are presented in the results section of this report and the full lists of prioritised themes are included in the appendices. All thematic analyses were performed by a single researcher who was not involved with the delivery of The Wellbeing Game.
RESULTS

Game participation and survey response rates

1096 unique logins were created, with 994 players (91%) going on to play at least once and 1067 players (97%) completing the pre-game Warwick-Edinburgh survey. Of the 281 players who logged in during the last week of the game, 239 (85%) completed the post-game Warwick-Edinburgh survey. Invitations to complete the post-game feedback survey were sent to 1096 players and 334 (30%) responded (Table 2). Players were predominantly working age, with the 30-39 and 40-49 age groups containing almost half of players. There was a strong gender bias with over two thirds of players being female (Table 3).

Table 2

<table>
<thead>
<tr>
<th></th>
<th>Signups</th>
<th>Starters</th>
<th>Participants</th>
<th>Finishers</th>
<th>% of Total</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>n</td>
<td>102</td>
<td>568</td>
<td>209</td>
<td>217</td>
<td>1096</td>
<td>100.0 %</td>
</tr>
<tr>
<td>Survey Responses</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pre-game Warwick-Edinburgh</td>
<td>73 (71.6 %)</td>
<td>568 (100 %)</td>
<td>209 (100 %)</td>
<td>217 (100 %)</td>
<td>1067</td>
<td>97.4 %</td>
</tr>
<tr>
<td>Post-game Warwick-Edinburgh</td>
<td>0 (0.0 %)*</td>
<td>17 (3.0 %)*</td>
<td>27 (12.9 %)*</td>
<td>195 (89.8 %)*</td>
<td>239</td>
<td>21.8 %*</td>
</tr>
<tr>
<td>Post-game feedback survey</td>
<td>8 (7.8 %)</td>
<td>124 (21.8 %)</td>
<td>77 (36.8 %)</td>
<td>125 (57.6 %)</td>
<td>334</td>
<td>30.5 %</td>
</tr>
</tbody>
</table>

Table 2: Number of players and survey response rates stratified by level of engagement. Values in parentheses indicate response rate to each survey from each group. *The post-game Warwick-Edinburgh survey was only offered to the 281 players who played the game during the last week. Although the response rate was 85%, the sample frame was limited to those players who played the game during the last week so it is more meaningful to express the response rate as a percentage of all players (21.8%).
Table 3

<table>
<thead>
<tr>
<th>Age</th>
<th>Signups</th>
<th>Starters</th>
<th>Participants</th>
<th>Finishers</th>
<th>Total</th>
<th>% of Total Players</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-17</td>
<td>*24.5%</td>
<td>57.1%</td>
<td>10.2%</td>
<td>†8.2%</td>
<td>49</td>
<td>4.5%</td>
</tr>
<tr>
<td>18-29</td>
<td>10.3%</td>
<td>46.7%</td>
<td>21.8%</td>
<td>21.2%</td>
<td>165</td>
<td>15.1%</td>
</tr>
<tr>
<td>30-39</td>
<td>9.9%</td>
<td>48.3%</td>
<td>21.7%</td>
<td>20.2%</td>
<td>263</td>
<td>24.0%</td>
</tr>
<tr>
<td>40-49</td>
<td>7.5%</td>
<td>54.5%</td>
<td>17.7%</td>
<td>20.3%</td>
<td>266</td>
<td>24.3%</td>
</tr>
<tr>
<td>50-59</td>
<td>5.8%</td>
<td>54.1%</td>
<td>20.8%</td>
<td>19.3%</td>
<td>207</td>
<td>18.9%</td>
</tr>
<tr>
<td>60+</td>
<td>11.3%</td>
<td>62.3%</td>
<td>7.5%</td>
<td>18.9%</td>
<td>53</td>
<td>4.8%</td>
</tr>
<tr>
<td>Not specified</td>
<td>9.7%</td>
<td>49.5%</td>
<td>18.3%</td>
<td>22.6%</td>
<td>93</td>
<td>8.5%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Gender</th>
<th>Signups</th>
<th>Starters</th>
<th>Participants</th>
<th>Finishers</th>
<th>Total</th>
<th>% of Total Players</th>
</tr>
</thead>
<tbody>
<tr>
<td>Female</td>
<td>†7.1%</td>
<td>52.3%</td>
<td>20.4%</td>
<td>20.1%</td>
<td>745</td>
<td>68.0%</td>
</tr>
<tr>
<td>Male</td>
<td>*14.3%</td>
<td>49.8%</td>
<td>17.0%</td>
<td>18.9%</td>
<td>265</td>
<td>24.2%</td>
</tr>
<tr>
<td>Not specified</td>
<td>*12.8%</td>
<td>53.5%</td>
<td>14.0%</td>
<td>19.8%</td>
<td>86</td>
<td>7.8%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Teams</th>
<th>Signups</th>
<th>Starters</th>
<th>Participants</th>
<th>Finishers</th>
<th>Total</th>
<th>% of Total Players</th>
</tr>
</thead>
<tbody>
<tr>
<td>Team member</td>
<td>9.0%</td>
<td>†41.4%</td>
<td>*23.3%</td>
<td>*26.3%</td>
<td>734</td>
<td>67.0%</td>
</tr>
<tr>
<td>No team</td>
<td>9.9%</td>
<td>*72.9%</td>
<td>†10.5%</td>
<td>†6.6%</td>
<td>362</td>
<td>33.0%</td>
</tr>
</tbody>
</table>

Table 3: Age distribution, gender, and team membership by level of engagement. Chi squared tests show that there are significant differences in the level of engagement according to age (p = 0.02), gender (p = 0.02) and team membership (p < 0.001). *Significantly greater proportion than expected by random distribution (p < 0.05). †Significantly smaller proportion than expected by random distribution (p < 0.05).

Changes in Wellbeing

There was a significant increase in the mean Warwick-Edinburgh wellbeing score of the “finishers” engagement group and of all survey responders (Table 4). There was a marginal increase (p = 0.07) in the corrected estimate of the wellbeing of all TWBG players, and no significant differences in the wellbeing of less engaged participants. However, due to the low numbers of responders in these engagement groups it is possible that a substantial real change was unable to be identified due to low statistical power. There was no association between level of engagement and
The upper portion of the table presents summary data for all respondents to the pre-game WE. The lower portion of the table presents data for only those players who completed both pre and post Warwick-Edinburghs. There were no significant differences in pre-survey WE score between those who completed only the pre-survey, and those who completed both surveys. 95%CI = 95% confidence interval. Values are mean (SD). Corrected mean and corrected 95%CI are adjusted for level of engagement. P values are for paired T-test pre vs. post. P value for corrected mean uses means of individual pre-post difference by group and pooled standard error weighted by number of game players in each engagement group.
In response to yes/no questions in the follow-up survey, a majority of survey respondents reported that they felt TWBG had improved their wellbeing, that they were more aware of things they do which support their wellbeing, and that they did more activities which support their wellbeing (Table 5). Players with higher levels of engagement were much more likely to report that TWBG had caused changes in their wellbeing, but even after adjustment for level of engagement more than half of players felt that TWBG had improved their wellbeing.

Table 5

<table>
<thead>
<tr>
<th>Respondents (n = 334)</th>
<th>Signups</th>
<th>Starters</th>
<th>Participators</th>
<th>Finishers</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>8</td>
<td>124</td>
<td>77</td>
<td>125</td>
<td>334</td>
</tr>
<tr>
<td>Do you think that The Wellbeing Game has improved your wellbeing?</td>
<td>1 (13%)</td>
<td>58 (47%)</td>
<td>58 (75%)</td>
<td>101 (81%)</td>
<td>218 (65%)</td>
</tr>
<tr>
<td>Compared to before you heard about The Wellbeing Game, are you now more aware of the things you do to support your wellbeing?</td>
<td>4 (50%)</td>
<td>81 (65%)</td>
<td>65 (84%)</td>
<td>111 (89%)</td>
<td>261 (78%)</td>
</tr>
<tr>
<td>Compared to before you heard about the Wellbeing Game, do you now do more activities which support your wellbeing?</td>
<td>0 (0%)</td>
<td>54 (44%)</td>
<td>41 (53%)</td>
<td>81 (65%)</td>
<td>176 (53%)</td>
</tr>
</tbody>
</table>

Table 5: Self reported changes in wellbeing by level of engagement after playing The Wellbeing Game. Questions allowed only “yes” or “no” responses. Values are counts of respondents who answered “yes”. Percentages are the percent of respondents from each level of engagement who answered “yes”. 95%CI = 95% confidence interval. “Corrected Mean” is the mean corrected for level of engagement.
engagement, so is an estimate of the mean from all players including non-respondents. “% of All Players” is the count of responders who answered “yes” divided by all 1096 players, so represents the lower bound for the mean for all players including non-respondents from the sensitivity analysis.

The most common reported reason for improved wellbeing (in response to an open ended question) was that the game had, one way or another, increased the respondent’s awareness of wellbeing (184/218, 84%). Within this group, respondents said that increased awareness resulted in improved wellbeing because they were better able to appreciate good things they were already doing in their daily life (94 respondents, 43%), they thought about how to take better care of themselves (31 respondents, 14%), they were more conscious of the five ways to wellbeing (15 respondents, 7%), they focussed on the positives rather than the negatives (7 respondents, 3%), or they were able to identify and avoid activities which reduced their wellbeing (2 respondents, 1%).

Respondents also felt that their wellbeing was improved by doing more wellbeing activities. Many respondents (32, 15%) said the game prompted them to take more time to do activities which support wellbeing, and a further 5 respondents (2%) said the game prompted them to try activities that they do not usually do, which they found supported their wellbeing. Similarly, 17 respondents (8%) said the game made them realise they performed few activities which matched one of the five ways to wellbeing, so they were able to improve their wellbeing by performing more of these activities.

Reflecting the most popular way to wellbeing, seventeen respondents (8%) said that the game was a good opportunity to connect with others, specifically colleagues (8 respondents) and friends and family (9 respondents).

The most frequent reason given for the game not improving wellbeing was that respondents did not play the game enough (39/118, 33%). A few respondents gave further detail saying they were too busy (6 respondents), they joined the game too
late (3 respondents), that there seemed to be no incentive to play (1 respondent) or that they had health problems during the game (1 respondent).

Another very common theme was that the respondent felt their wellbeing was already very good, so there was no scope for improvement regardless of how effective the game might be. Many respondents answered this question by saying that their wellbeing was already very good (27/118, 23%). Similarly, some respondents said that they already do a lot of activities which support their wellbeing (11/118, 9%).

Some respondents felt that their wellbeing would not increase unless they did additional wellbeing activities (37/118, 31%). As mentioned in the previous paragraph, 11 respondents (9%) said they already did a lot of wellbeing activities so their wellbeing could not improve. A further 26 respondents (22%) said that they didn’t do any new activities so they would not expect their wellbeing to increase.

**Player engagement**

The Chi Squared tests revealed significant differences in the level of engagement among different age groups and between genders. Players less than 18 years old were more likely than other groups to create a login without actually playing the game and less likely to play the game the whole way through. Male players were more likely to create a login but not play the game (Table 3).

In an open ended question, “participators” and “finishers” were asked why they wanted to keep coming back to play the Wellbeing Game. The most common reason was because it was fun (80/202, 40%). Some respondents simply said that the game was fun (49/202, 25%), while others said they enjoyed specific aspects such as reflecting on activities which support wellbeing (40/202, 20%) or accumulating badges and wellbeing hours (28/202, 14%).

Many respondents said that they kept coming back because they were part of a team (78/202, 39%). Among these respondents, some specific reasons for returning
included: because they did not want to let the team down (42 respondents), because they wanted to set a good example for their team mates (9 respondents), because their team reminded them to log hours (6 respondents), and because of peer pressure (4 respondents).

Other common reasons for continuing to play were: competition (51 respondents, 25%), to increase wellbeing (33 respondents, 16%), because I had committed to play (19 respondents, 9%), and to see what others were doing (12 respondents, 6%).

In a multi-choice question, “starters” and “participators” were asked why they stopped playing the Wellbeing Game. The number of respondents who reported they stopped playing the Wellbeing Game because of each of the suggested reasons is given in Table 6.

<table>
<thead>
<tr>
<th>Reason respondent stopped playing game</th>
<th>Number of respondents</th>
<th>% of respondents</th>
<th>Corrected %</th>
</tr>
</thead>
<tbody>
<tr>
<td>I was too busy</td>
<td>106</td>
<td>53</td>
<td>53</td>
</tr>
<tr>
<td>I just forgot about it</td>
<td>89</td>
<td>44</td>
<td>44</td>
</tr>
<tr>
<td>I found I already did a lot to support my wellbeing</td>
<td>46</td>
<td>23</td>
<td>24</td>
</tr>
<tr>
<td>I got bored</td>
<td>32</td>
<td>16</td>
<td>17</td>
</tr>
<tr>
<td>I was away from work</td>
<td>30</td>
<td>15</td>
<td>14</td>
</tr>
<tr>
<td>It took too much time</td>
<td>23</td>
<td>11</td>
<td>13</td>
</tr>
<tr>
<td>The game was different from what I had expected</td>
<td>16</td>
<td>8</td>
<td>9</td>
</tr>
<tr>
<td>I didn’t know anyone else who was playing</td>
<td>16</td>
<td>8</td>
<td>8</td>
</tr>
<tr>
<td>I was away from home</td>
<td>15</td>
<td>7</td>
<td>6</td>
</tr>
<tr>
<td>I had learned everything the game could teach me</td>
<td>13</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>I couldn’t use it on my smartphone or tablet</td>
<td>10</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>The website took too long to load</td>
<td>3</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>I had already got all the badges I was likely to get</td>
<td>2</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>None of the above (please leave a comment)</td>
<td>13</td>
<td>6</td>
<td>6</td>
</tr>
</tbody>
</table>
Table 6: Number of respondents who reported they stopped playing the Wellbeing Game because of each of the listed reasons. Starters and Participators were asked to select from a list of reasons “Why did you stop playing The Wellbeing Game?”. Corrected percentages are adjusted for differences in survey response rates between these two different levels of engagement. Respondents could tick multiple responses.

Table 7

<table>
<thead>
<tr>
<th>How respondent heard about game</th>
<th>Number of respondents</th>
<th>% of respondents</th>
<th>Corrected %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Workplace wide email</td>
<td>229</td>
<td>69</td>
<td>68</td>
</tr>
<tr>
<td>From colleagues in my workplace</td>
<td>88</td>
<td>26</td>
<td>23</td>
</tr>
<tr>
<td>Poster, flyer, or noticeboard</td>
<td>49</td>
<td>15</td>
<td>14</td>
</tr>
<tr>
<td>Regular work meeting</td>
<td>36</td>
<td>11</td>
<td>9</td>
</tr>
<tr>
<td>Formal presentation by someone</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>within your organisation</td>
<td>27</td>
<td>8</td>
<td>7</td>
</tr>
<tr>
<td>From my manager</td>
<td>24</td>
<td>7</td>
<td>6</td>
</tr>
<tr>
<td>From colleagues in another workplace</td>
<td>23</td>
<td>7</td>
<td>6</td>
</tr>
<tr>
<td>I had played an earlier version of The Wellbeing Game</td>
<td>23</td>
<td>7</td>
<td>5</td>
</tr>
<tr>
<td>Logo on a website</td>
<td>15</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Formal presentation by someone</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>external to your organisation</td>
<td>18</td>
<td>5</td>
<td>4</td>
</tr>
<tr>
<td>Logo in email signatures</td>
<td>14</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td>TV, radio or newspaper article</td>
<td>8</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>From family</td>
<td>6</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>From friends</td>
<td>6</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Internet search engine</td>
<td>4</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>None of the above (please leave a comment)</td>
<td>19</td>
<td>6</td>
<td>7</td>
</tr>
</tbody>
</table>

Table 7: Number of respondents who reported they had heard about the Wellbeing Game via each of the listed channels. All respondents were asked to select from a list of ways “How did you hear about the Wellbeing Game?”. Corrected percentages are adjusted for differences in survey response rates among the four different levels.
of engagement. Players could tick multiple responses. In the “Other” comments, six respondents reported they heard about the game via social media.

There were eight feedback surveys completed by people who joined up but did not play the game. Of these respondents, four said they didn’t play because they were too busy, while three said they didn’t play because it took too much time.

In a multi-choice question, players were asked how they had heard about TWBG (Table 7). An estimated 59 people, over half the number who played the 2011 game, had returned to TWBG after having played a previous version.

Most respondents had more than one reason for joining the Wellbeing Game. The number of respondents who reported they joined the game for each of the anticipated reasons is reported in Table 8. A significantly lower proportion of males joined because they thought the game would be fun, to find out what they already do to support their wellbeing, because they liked the competition, or because they wanted to take part in something that wasn’t all about fitness.
Table 8: Number of respondents who reported they had signed up for the Wellbeing Game because of each of the listed reasons. All respondents were asked to select from a list of ways “Why did you decide to sign up for The Wellbeing Game?”. Corrected percentages are adjusted for differences in survey response rates among the four different levels of engagement. Players could tick multiple responses.
“Resp.” = respondents. * % of male respondents significantly less than % of female respondents (p < 0.05)

Teams

Most players (67%) were members of a team, and most survey respondents reported they were members of a team (Table 9). Teams represented 58 different organisations, with most players being members of teams from large government organisations (CDHB, SCIRT, CERA, CCC, ECAN, and IRD accounted for 65% of team members). The great majority of team members were from Canterbury (90%) and Christchurch city specifically (86%). There were also teams from (in order of number of players): Auckland, Waikato, Taranaki, Wellington, Nelson/Tasman, West Coast, Southland, Australia, United States, and United Arab Emirates.

There were gender differences in team membership with 77% of males being part of a team compared to only 64% of females.

Being a member of a team was associated with higher levels of engagement with 89% (95%CI 85 – 93%) of finishers and 82% (95%CI 77 – 87%) of participators being team members, compared to only 54% (95%CI 49 – 58%) of starters and 65% (95%CI 55 – 74%) of signups. Players were also more likely to have high engagement if their team mates encouraged them to keep playing the game or their team undertook at least one wellbeing activity as a group (Table 9).

Although only one fifth of respondents reported that their team performed group activities, there was a wide range of activities reported. Most team activities were meals (20 respondents), exercise (18 respondents), or workplace activities (16 respondents).
Table 9: Responses to yes/no questions related to team involvement. Corrected percentages are adjusted for level of engagement. In all cases people with higher engagement were more likely to respond.

<table>
<thead>
<tr>
<th>Question</th>
<th>n</th>
<th>Raw %</th>
<th>Corrected %</th>
<th>95% CI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Team involvement</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Did you join a team?</td>
<td>328</td>
<td>70%</td>
<td>62%</td>
<td>53 – 72%</td>
</tr>
<tr>
<td>Did your team mates encourage you to join The Wellbeing Game so you could be part of their team?</td>
<td>227</td>
<td>79%</td>
<td>78%</td>
<td>67 – 89%</td>
</tr>
<tr>
<td>Did your team mates encourage you to continue playing The Wellbeing Game?</td>
<td>223</td>
<td>69%</td>
<td>54%</td>
<td>43 – 64%</td>
</tr>
<tr>
<td>Did your team do any group activities for The Wellbeing Game?</td>
<td>227</td>
<td>27%</td>
<td>20%</td>
<td>11 – 30%</td>
</tr>
</tbody>
</table>

Game features

Respondents were asked to indicate which of a list of features they would like to see in the game (Table 10).

Most respondents (72%) were happy with the game running for four or five weeks, but there was also considerable support for a longer game, with 15% of respondents indicating they would like the game to run forever so they could access it at any time.
### Table 10

<table>
<thead>
<tr>
<th>Feature</th>
<th>Number of respondents</th>
<th>% of respondents</th>
<th>Corrected % of respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ability to ‘like’ other players’ activities</td>
<td>126</td>
<td>39</td>
<td>34</td>
</tr>
<tr>
<td>A feature to help you organise events for your team or workplace</td>
<td>118</td>
<td>36</td>
<td>34</td>
</tr>
<tr>
<td>Support for smartphone access</td>
<td>101</td>
<td>31</td>
<td>29</td>
</tr>
<tr>
<td>Ability to ‘follow’ specific players’ activities so you can keep track of what they enter (and ability to choose whether other players can see your activities)</td>
<td>87</td>
<td>27</td>
<td>24</td>
</tr>
<tr>
<td>More badges</td>
<td>49</td>
<td>15</td>
<td>12</td>
</tr>
<tr>
<td>Faster response from the website</td>
<td>36</td>
<td>11</td>
<td>12</td>
</tr>
<tr>
<td>None of the above</td>
<td>80</td>
<td>25</td>
<td>27</td>
</tr>
</tbody>
</table>

Table 10: Number of respondents who indicated they would like each of the listed features in the Wellbeing Game. Corrected percentages are adjusted for differences in response rates among the different levels of engagement. Players could tick multiple responses.

### What resources were used to deliver the game

The cost of delivering the 2012 Wellbeing game was almost exclusively staff time; time records and staff estimates suggest that approximately 810 hours (42% of a full time equivalent year [FTE]) were spent on the Wellbeing Game. The staff involved estimate that only 250 hours (13% FTE) were taken up by game delivery, with 440 hours (23% FTE) spent on development and 120 hours (6% FTE) spent on evaluation.

Compared to staff time, the other resources used were minimal, totalling $2260. Computing and internet connection resources were accommodated within the existing Healthy Christchurch website resources, and additional expenditure for domain names and hosted email accounts was $160. Printing of advertising fliers...
and T-shirts was $400 and $1200 respectively and there was a $500 budget for prizes.

DISCUSSION

The primary finding of this evaluation is that playing TWBG is associated with improved Warwick-Edinburgh score and self-reported wellbeing. The “finishers” group, who played the game the whole way through, had a significant increase in mean Warwick-Edinburgh wellbeing and reported that they felt TWBG was responsible for the improvement in their wellbeing (Tables 4 and 5). Many in this group indicated that they would like TWBG to run forever so they could continue to use the website. These results demonstrate that people who play TWBG from start to finish experience a real increase in wellbeing.

Although there was only a marginal increase in the response-rate-corrected Warwick-Edinburgh wellbeing of all game participants ($p = 0.07$, Table 4), over half of participants felt that TWBG was responsible for an improvement in their wellbeing (56%, Table 5). Furthermore, there was no relationship between level of engagement and change in Warwick-Edinburgh score, suggesting that wellbeing may be improved across all engagement groups. An explanation for the lack of statistical significance in the response-rate-corrected Warwick-Edinburgh data could be that the statistical power was reduced by the low number of respondents in less engaged groups. As such, it remains possible that there was an improvement in mean wellbeing across all players in TWBG.

These results are consistent with previous research into online interventions which require participants to regularly visit a website (Elison, Humphreys, Ward, & Davies, 2013; Kersting et al., 2013; Mohr et al., 2010; Shandley, Austin, Klein, & Kyrios, 2010; Spence et al., 2011). However, TWBG differs from the interventions in these reports in that it focuses on promoting mental wellbeing rather than avoiding or treating mental illness. By taking a positive approach TWBG has the potential to improve wellbeing in a broad population, more than just those people who feel they
may be at risk of mental illness. A broad appeal is especially important to take advantage of the highly scalable nature of an online intervention, and to support the mental health of people who may be unwilling to seek help by other means (Ryan, Shochet, & Stallman, 2010).

We postulated that TWBG would improve wellbeing by increasing players’ awareness of the things they do to support their wellbeing. This mechanism is supported by the fact that the majority of players indicated they are now more aware of the things they do to support their wellbeing (72 %, Table 5). These results, in combination with other research demonstrating the positive effect of mindfulness on wellbeing (Baer, 2009; Goodman & Schorling, 2012; Grossman et al., 2010; Grossman et al., 2004; Howell et al., 2008; Neff & Germer, 2013; Nyklíček & Kuijpers, 2008) add weight to the possibility that TWBG may improve mean wellbeing across all players.

In addition to being more aware of their wellbeing, over half of respondents who said their wellbeing was improved said that they now do more wellbeing activities (Table 5). Similarly, a third of respondents who said their wellbeing was not improved (37 out of 118) said it was because they did not perform any additional activities. Although the primary intention of TWBG is to increase awareness, the game may appeal to a wider audience if it is also able to support players and teams to perform more wellbeing activities.

There was good uptake of the 2012 Wellbeing Game with 1096 unique logins created, over 10 times the uptake of the 2011 game. A large proportion (39%) of people who signed up for TWBG continued to play over time (Table 2). Furthermore, over half the players from the previous edition of TWBG returned to play in 2012. It is encouraging that, once signed up, a large proportion of players continue to play the game over time, which will presumably encourage them to habitualise awareness and improve their wellbeing.

The factors associated with player engagement suggest some important ways to maximise the benefit from TWBG. The most important factor associated with player
engagement was team membership. Table 3 demonstrates that team members were much more likely to become “Participators” or “Finishers”, and this is reflected in engaged players’ comments about why they kept playing the game. These results suggest that emphasising team play in online interventions is important for their success.

Another modifiable factor which promoted engagement was competition. Many respondents said they kept playing the game because of the competition, despite few saying that they enjoyed the competition. There was also a small minority of respondents who felt alienated by the competition, especially when other team members did not actively play the game. Use of competition as a motivating factor can be useful, but care should be taken to ensure rewarding play can still be achieved even when there is no hope of winning.

A majority of highly engaged players also commented that they kept playing because they enjoyed the game and in particular the chance to reflect on activities which support wellbeing. This result is especially positive in that it is reflection that is the proposed mechanism through which TWBG may improve wellbeing.

The three engagement promoting factors identified in this study (teamwork, competition, and enjoyment) can be seen as analogous to Yee’s (2006) components of motivation to play online games (social, achievement, and immersion).

Most respondents reported more than one reason for joining the game (Table 8). Furthermore, highly engaged players tended to report more reasons for joining. These results suggest that it is important to emphasise multiple benefits when advertising the game, both to encourage people to join and to ensure they remain engaged.

The 2012 Wellbeing Game was promoted primarily through workplaces. This is reflected in players’ feedback with most respondents having heard about TWBG through their workplace (Table 7) and in the fact that most participants were of working age (Table 3). However, although there was no concerted effort to promote
the 2012 Wellbeing Game online, an estimated 5% of respondents heard about TWBG by seeing a logo on a website, and a further six respondents commented that they had heard about TWBG through social media (Table 8). While it will be important to continue to promote TWBG in workplaces, a carefully designed online promotion could reach new audiences and substantially increase game participation.

TWBG held lower appeal for men than for women. Only one quarter of players were male, and male players gave significantly fewer reasons for joining TWBG. Furthermore, males were more likely to sign up for the game but never actually play. Significantly lower proportions of males indicated they joined because of personal motivators such as fun, competition, or to find out what they already do to support their wellbeing. Conversely, there were similar proportions of each gender who indicated they took part because of social motivators such as doing something with their team or family, setting a good example, or improving others’ wellbeing. That is, the men who did play were more likely to have joined because they wanted to use TWBG to help them interact with others. Similarly, a greater proportion of males than females were part of TWBG teams. “I thought it might improve my wellbeing” was the only personal motivator which was reported by equal proportions of both genders. Male participation could be increased by placing greater emphasis on the social aspect of TWBG in promotional material.

That 13% of players said one of the reasons they joined was because they wanted to take part in something that wasn't all about fitness suggests that there is a lack of wellbeing opportunities for this group of people. Future Wellbeing Game promotion should emphasise that the game doesn’t have to be about physical exercise.

Understanding the reasons people stopped playing the game is perhaps just as important as understanding the reasons they continued to play the game. Unsurprisingly, the most common reasons for stopping were that players were too busy or they just forgot to play (Table 6). In terms of the quality of the game design, it is encouraging that the most common reasons for stopping are factors which are external to the game. For example, there were four times as many people who stopped because they were too busy than there were people who stopped because
the game took too much time. However, external factors do present a challenge as they are inherently difficult to change by improving game design. Nevertheless, both busyness and forgetting to play could be influenced, at least in part, by encouraging team participation and activities. Talking about wellbeing activities could then become part of daily socialising rather than an additional burden to remember to add to a busy schedule. Furthermore, game promotion could simultaneously remind players to play the game and emphasise that it doesn’t take a long time.

Almost a quarter of respondents said they stopped playing because they found they already did a lot to support their wellbeing. This result at least suggests that these respondents did spend some time thinking about what they do to support their wellbeing. While it may still have been beneficial for them to continue to play, it is likely that they have already learned the most important lessons from TWBG.

There were also a substantial number of players who said they became bored with the game. Comments from these players suggest that most felt that reflecting on things they already do would not help to improve their wellbeing, despite the 2012 game containing considerable promotion of the benefits of reflection. It is possible that promotion of other benefits could help these people to become more engaged (e.g. opportunities to socialise with a team), but it is equally possible that these people represent a group that will remain difficult for TWBG to reach.

The Wellbeing Game appears to be a worthwhile use of health promotion resources. Although it is not possible to accurately quantify the benefits from the game, it is possible to show that the game was able to reach many people. 1096 people signed up to play the game, and many more must have been exposed to the game without signing up. At least 218 people, and possibly over 600, felt that the game had improved their wellbeing. On the other hand, the 2012 game required approximately 42% of an annual full-time equivalent employee (FTE) to develop, deliver, and evaluate. However, as only 13% FTE were taken up by game delivery rather than development or evaluation, it is possible that the game could be delivered again, without further development or evaluation, for less than a third of the cost of the 2012 game.
An important benefit of online interventions is their potential to be scaled both up and down in size. The value of TWBG would be substantially increased with little increase in cost if there was a large increase in the number of people participating. In particular, promotion of TWBG to a national audience has the potential to greatly increase participation. Similarly, the measures to increase participation and engagement discussed elsewhere in this report could increase the value of the game. As TWBG becomes more established and requires less development, the value-for-money is likely to increase further.

LIMITATIONS

This evaluation employed a cohort design with participants’ wellbeing measured before and after the intervention. However, as there was no control group and participants were self-selected, it is not possible to attribute changes in wellbeing to game participation. However, the evaluation does show that game participation is associated with increased wellbeing.

The low number of responders to the post-game Warwick-Edinburgh survey compared to the mixed methods follow-up survey demonstrates the limitations of relying on people to login to the game to complete the survey. In future evaluations it would be preferable to also send reminder emails asking players to complete the Warwick-Edinburgh post-survey, as was done for the feedback survey in the current evaluation.

In this evaluation, engagement with the game was assessed according to when players logged activities on the website. This is not a perfect measure of engagement as players may participate fully by saving up their activities and only entering them online occasionally, as illustrated by comments left by such players. As such, it is not appropriate to assess an individual’s level of engagement based solely on the engagement classification used in this evaluation. Despite these limitations, the clear increase in survey response rates amongst players with higher
engagement classification demonstrates that the engagement classification is appropriate to use as an aggregate measure of the engagement of a group.

This evaluation examined the wellbeing of respondents at the beginning and end of the game, but did not examine what long-term effects TWBG might have on players’ wellbeing. It would be desirable to also examine the effect on players’ wellbeing at multiple time points over a longer follow-up period.

CONCLUSIONS

The primary finding of this study is that people who play TWBG from start to finish experience an improvement in wellbeing. Furthermore, most players attribute their improved wellbeing to TWBG, and qualitative responses support TWBG’s postulated mechanism for improving wellbeing. Thus it is reasonable to attribute the increase in wellbeing to the effects of the game.

In light of the fact that a significant improvement in mean wellbeing was only observed in the most engaged participants, it is important to consider how to keep people playing once they have joined the game. Of the factors examined in this study, team membership had by far the strongest association with engagement.

This study demonstrates that an online game has the potential to increase the wellbeing of participants. The promising findings of this study are especially important given the ready scalability of TWBG. In 2012 TWBG was promoted only to a limited number of workplaces in Christchurch. However, the 2013 game will be promoted nationally in the lead up to Mental Health Awareness Week. If the game can achieve substantial national participation then it could have an important effect on overall wellbeing in New Zealand.
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Operational 'problem' directors and environmental performance.

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EXTENDED ABSTRACT

KEYWORDS
Environmental reporting compliance, problem director, board governance, agency theory

PURPOSE AND MOTIVATION
The aim of this paper is to examine empirically the effects of ‘problem’ directors on the environmental performance of firms. We argue that, if a board member has been professionally unethical, environmental performance will be higher as the problem director seeks to divert attention from his/her negative professional reputation. Agency theory articulates a goal divergence between the manager and shareholders (owners), which may lead to opportunistic behaviour by the manager. However, such opportunism can be controlled by accountability strategies. These strategies which may include environmental performance criteria are particularly important if a director has a previous history of a lack of professional integrity. To-date, academic research has not investigated the effect a problem director on the board of a firm may have on environmental performance. Using a sample of 5,997 USA publicly-traded firm year
observations for the 2003 and 2004 fiscal years, de Villiers, Naiker and van Staden (2011) provided evidence that monitoring and provision of suitable resources have a significant impact on environmental performance. We use a more robust measure of the boards’ monitoring role and base our study in agency theory. We contribute to the environmental reporting literature by providing evidence that the professional history of a director has a significant impact on the firm’s environmental performance including the reporting of its activities.

BACKGROUND

A recent survey conducted by Grant Thornton (2007) evidenced that despite a decrease in economic and business optimism, executives expect more resources will be allocated to corporate social responsibility initiatives. Executives are supporting corporate responsibility initiatives not just for compliance or image reasons but because they believe corporate responsibility improves profitability. Finally, the report argued that greater internal leadership, alignment and measurement are needed to derive full potential from corporate responsibility programs. Within this context, we argue that, if a board member has been professionally unethical, then stakeholders may take the view that the firm’s environmental reporting (part of corporate social responsibility activities) lacks transparency, integrity and completeness.

BRIEF LITERATURE REVIEW

Agency theory involves an agent (management) and a principal (shareholders/stakeholders). The focus is on motivating the agent to act in the best interests of the principal. Agency theory is based on assumptions regarding asymmetry of information, opportunism and potential conflict between agent and principal. Principals expect that agents will conduct business so as to maximize the stakeholders’ wealth. An agency theory framework suggests that agents are more likely than principals to emphasise responsible environmental performance because they have no residual claim on the firm’s income (Graves & Waddock, 1994). Agents
might actively show concern for the environment because they are not spending their own money. Furthermore, driven by self-interest, agents are more likely than principals to pursue non-profit goals in order to secure their positions, for instance, regarding environmental protection practiced by their company (Wang & Coffey, 1992). By pursuing non-profit goals managers may improve their reputation and gain public prestige. Therefore, we posit, that the managerial motivation to develop environmental strategies, monitor environmental impacts and provide quality and transparent disclosure of environmental activities is higher if the director has a negative history of professional conduct.

**DESIGN/METHODOLOGY/APPROACH**

We use an ordinary least square (OLS) model to capture the impact of ‘problem’ directors on a board. To measure the impact of problem directors on environmental factors, we define problem directors as “directors who have been personally involved as a director or executive, in one or more corporate bankruptcies, major litigation or corporate infractions, major accounting restatement and other accounting scandals or have served on compensation committees that have approved particularly egregious CEO compensation packages or other similar circumstances” (The Corporate Library, 2011). Environmental performance encompasses environmental management, environmental impact, and disclosure of environmental information.

**FINDINGS**

Using a sample of top 500 USA companies for each of the periods of 2010 and 2011, we document that the average environmental impact score is 53.32%, the environmental management green policy score is 35.39% and environmental reputation is 49.86%. A firm which is operated by a problem director has a higher score for environmental management and environmental reputation than non-problem director affiliated firms. However, firms which are operated by problem director(s) have lower scores for environmental impact than non-problem director affiliated firms in the USA.
RESEARCH CONTRIBUTION/IMPLICATION

This research contributes to the environmental performance literature through our focus on the evidence of managerial integrity. Prior research on the relationship between corporate social responsibility (including environmental performance) and corporate governance has been based on board composition and characteristics. However, managerial decision making reflects both professional experience and personal attributes. These factors have not been addressed in the literature to-date and hence form our contribution.

ORIGINALITY/VALUE

This study adds to the previous environmental performance literature by interpreting the director’s professional history as a factor of environmental performance: impact, management and disclosure. Research to date has investigated directors’ independence, gender, experience, and educational background as corporate governance factors relating to the extent and or the quality of environmental reporting practice. To the best of our knowledge, there is no previous study in the environmental reporting literature which examines the impact of director’s professional history on environmental factors.

KEY REFERENCES


Defining Social Finance

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ABSTRACT

This paper seeks to provide rigorous and formal structure framing our understanding of what is generally meant by social finance. Although the concept of social finance is gaining popularity in academic research, little consensus exists on its scope. We provide an extensive review of various literature strands. Those include, among others: Corporate social responsibility (CSR), microfinance, social impact bonds, sustainable investing, and privatization. We explore common themes linking these literatures, as well as applications in New Zealand setting. We identify pressing research questions and directions for future academic research.
Remittance flows to the Pacific Island nation of Fiji- Social financing for wellbeing.

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EXTENDED ABSTRACT

KEYWORDS  
Household Behaviour, Remittance flows, Welfare, Fiji

Remittance flows is a vital social finance to many of the Pacific Island nations. This social finance has increased over the period of time and is a relatively stable source of financing for expenditure patterns of the households. The impact of remittances on welfare development of the households show that this financial inflows have been used for consumer durable and non-durable good, savings, investment in social enterprises, food, housing and also for developing human capital, particularly using for schooling and health outcomes (Acosta, Fajnzylber and Lopez (2008).  

Globalization has a significant impact on migration where the flow of remittances to developing countries highlight the changes in expenditure patterns, consumption that leads to wellbeing and savings-investment nexus for long term development of the household (Cordova, 2005). Fiji has seen a high rate of migration over time, particularly the skilled migrants to Australia, Canada, New Zealand, the United States and United Kingdom. The off-shore labour markets have assumed a significant role in Fiji’s economy through employment abroad for teachers, nurses, military personnel, security officers, besides having permanent migration.

By increasing the income of the recipient households’, remittances have gained the impetus in the development agenda for its contribution to individual welfare through a range of consumption goods, entrepreneurial small and medium scale business and poverty reduction. Remittances may allowed many households to meet their basic
needs and also use that for durable and non-durable goods, business and human capital. In particular, the determinants of remittances literature notes that this financial source is for altruistic motives, self-interest motives, implicit loan agreement and portfolio management decisions. Remittances are a vital source for household expenditures in the case of Fiji (Gounder and Prakash 2009). Given the expenditure patterns of remittance the eventual development impact depends on its sustainability and what categories of consumption and innovative investment expenditures the households spend remittances on.

This study examines the development impact of remittances in the case of Fiji using the household income and expenditure survey 2002-03 dataset. In estimating the expenditure patterns of the household the methodological application utilizes the ordinary least squares approach for the individual category of expenditure for 5,245 households. The modelling approach uses various tests for model validity that indicate no concerns. The estimation is further disaggregated for the Fijian and Indo-Fijian households’ expenditures patterns. The results provide various implications of social financing for wellbeing and the important role of remittances for development.

REFERENCES


