

SOCIAL ENTREPRENEURSHIP: PATTERN-CHANGING ENTREPRENEURS AND THE SCALING OF SOCIAL IMPACT

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ABSTRACT

This paper presents findings from an investigation of pattern-changing social entrepreneurs. We examined the efforts of fifteen entrepreneurs and sought to understand the factors that enable successful ones to scale their social impact. All the entrepreneurs were operating in capital constrained environments and scaling required overcoming funding constraints. The findings indicate that pattern-changing social entrepreneurs are more concerned with scaling their impact than with growing their enterprises. Hence, many were pursuing both direct scaling where they grew their own enterprises and indirect scaling where they pursued impact through influencing other organizations. Social entrepreneurship is not a linear process; rather it is one of discovery, evolution, growth, learning and reinforcement. Most of the entrepreneurs began with a unique and innovative idea and then “discovered” through trial and error how to build a successful enterprise. The findings indicate many similarities between social entrepreneurship and profit seeking entrepreneurship as characterized in the empirical literature. Key differences include implications of the social mission and resource acquisition for non-profit entrepreneurs. Successful entrepreneurs were able to build and access social and business networks in order to garner financial, human, and other resources. They then developed viable self-reinforcing resourcing and capability building approaches built on principles of value exchange with partners, funders, and customers. They delivered exceptional value to partners and key stakeholders providing satisfaction and building credibility and strong reputations. The most successful social entrepreneurs discovered innovative ways to improve the profitability and mission-focus of key activities and once they had refined their model, they focused their energies to exploit the opportunity and scale their impact. A critical success factor for scale was moving from individual-level skills to the building of core organizational-level competencies.

I am grateful to the Ashoka Fellows and other social entrepreneurs who participated in this research and would like to thank David Green, Rosa Wang, and Tito Llantada, from Ashoka for their guidance and support. In addition, I would like to thank John Aram, Richard Bowland, Bo Carlsson, David Cooperrider, José Antonio Dávila Castilla, Bob Hisrich, Chris Laszlo, Mario Marino, Sheri Perilli, Jimmy Schwarzkopf, Scott Shane, Jagdip Singh, Mike Stull, and Dennis Young, as well as my Executive Doctoral cohorts for their input, review and support.

INTRODUCTION AND RESEARCH QUESTION

A special class of social entrepreneurs who pursue transformative pattern-changing ideas with the potential to trigger cascades of follow-on innovations, adaptations, and local applications hold the promise of creating large social impact. Many of these entrepreneurs are gaining notoriety for their innovative solutions to challenging social issues. Organizations such as Ashoka and the Schwab Foundation provide financing and support to such entrepreneurs. However, beyond the initial start-up phase, many of these entrepreneurs are challenged in their efforts to scale up their enterprises to create greater impact.

We sought to understand the experiences of such entrepreneurs by examining how fifteen of them (many of whom are Ashoka Fellows¹) pursued efforts to scale up and achieve financial sustainability. Our intent was to isolate the key factors that affect scale, social impact and financial sustainability for pattern-changing social entrepreneurs. In addition we explored the definition of scale from the social entrepreneur's perspective, the reasons why scale may or may not be important, and the effect of changes in scale on achieving the mission and on financial sustainability.

LITERATURE REVIEW

Social entrepreneurship and social enterprise are attracting great interest within policy and practitioner communities around the world. However, the field lacks broadly accepted definitions for social entrepreneurship/enterprise, there is little in the way of grounded analysis, and prescriptions developed by practitioners based on anecdotal evidence would benefit from more systematic evaluation (ARNOVA, 2005).

The literature review begins with an examination of entrepreneurship and social entrepreneurship. Next it surveys a wide range of literature organized into a comprehensive framework based on the entrepreneurial process. This framework allows us to integrate and make sense of a body of research that covers a range of relevant disciplines including entrepreneurship, social entrepreneurship, nonprofit management, strategy and organization.

“Entrepreneurship is an activity that involves the discovery, evaluation, and exploitation of opportunities to introduce new goods and services, ways of organizing, markets, processes, and raw materials through organizing efforts that previously had not existed”(Shane, 2003). This definition of entrepreneurship is broad enough to include social entrepreneurship. The key distinguishing feature of social entrepreneurship is that the entrepreneur's focus is the “pursuit of opportunities to catalyze social change and/or address social needs” (Mair & Marti, 2005). The primary motivation of social entrepreneurs is to catalyze social change and create social value.

Entrepreneurial profit is the difference between the ex-post value of a resource combination and the ex-ante cost of obtaining the resources and the cost of recombining them

¹ Ashoka's mission is to shape a citizen sector that is entrepreneurial, productive and globally integrated, and to develop the profession of social entrepreneurship around the world. Ashoka identifies and invests in leading social entrepreneurs—extraordinary individuals with unprecedented ideas for change in their communities—supporting them, their ideas and institutions through all phases of their careers. Ashoka Fellows benefit from being part of the global Fellowship for life.

(Rumelt, 1987). Success for profit-seeking entrepreneurs requires that they are able to appropriate entrepreneurial profit for their own benefit. For profit-seeking entrepreneurs social value, when created, is a byproduct of the creation of economic value (Venkataraman, 1997). Successful social entrepreneurs also create entrepreneurial profit, but they do so for the benefit of society. Hence appropriation of entrepreneurial profit is a secondary consideration for social entrepreneurs and is undertaken to fund operations and growth in support of their social mission².

The study of entrepreneurship has progressed along two paths. The first focused on individuals and researchers attempted to explain entrepreneurship through identifying entrepreneurial individuals and their traits and characteristics (McClelland, 1961 and Kihlstrom & Laffont, 1979). However, Gartner (1989) and Carroll & Mosakowski, (1987) found that such explanations are likely to be incomplete. The second focused on the environment in which entrepreneurs operate such as technological change (Tushman & Anderson, 1986), market structure (Acs & Audretsch, 1990), and industry dynamics (Hannan & Freeman, 1987).

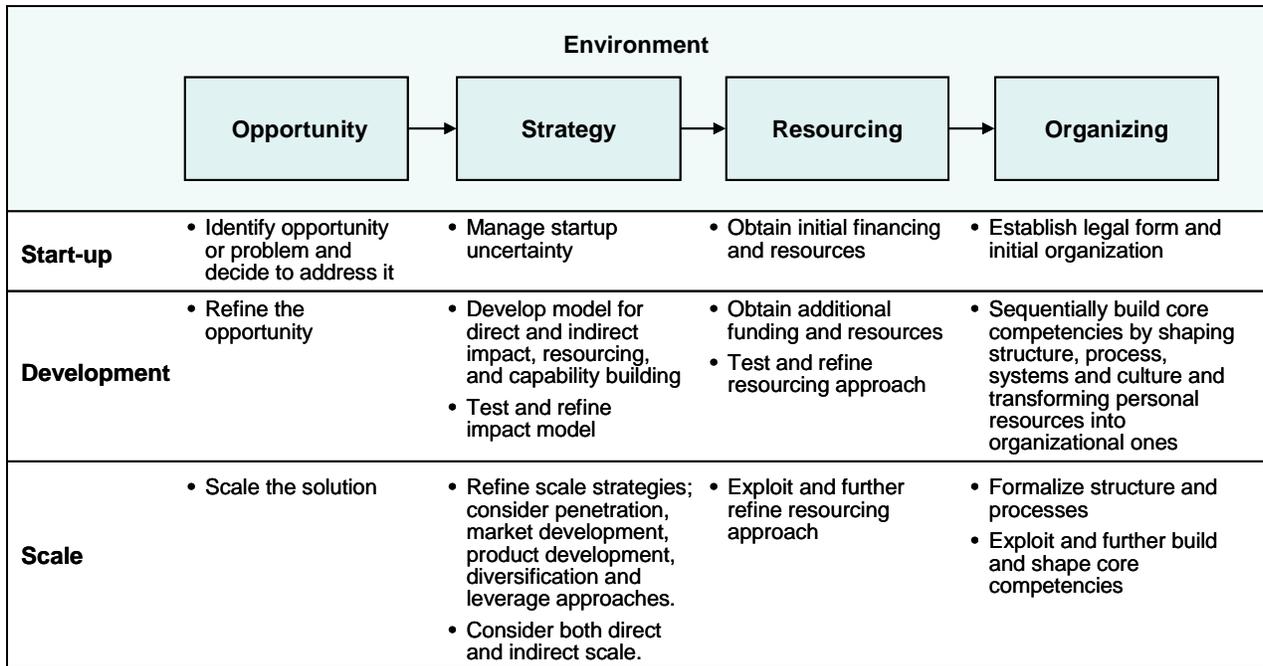
Shane (2003) provided an overarching conceptual framework for entrepreneurship that includes the nature of opportunities, their discovery, the decision to exploit them, and key requirements for execution. However, his framework focuses primarily on topics that are distinctive and unique to entrepreneurship. We have a broader purpose. We are interested not only in theory that is unique to entrepreneurship but also in successful efforts at growing and scaling enterprises. For insight into these areas it was necessary for us to reach into the strategy and organization literature.

To organize our broader perspective we drew both upon Shane's framework and concepts of organizational life cycle and stages of development. These concepts suggest that organizations progress through stages over time. Models range from two to ten stages depending upon the study (Stubbart & Smalley, 1999 and Rutherford, Buller, & McMullen, 2003). While there is no general agreement over the proper number of stages, and these may differ by industry and situation, it has been shown that some problems and challenges vary in importance at different stages (Terpstra & Olson, 1993 and Dodge, Fullerton, & Robbins, 1994). Management focus also varies by stage of development.

Figure 1 depicts the conceptualization of the entrepreneurial process that we use as our organizing framework. It includes four key steps and distinguishes between start-up, development, and scale activities within each. The discussion that follows uses this framework to organize important considerations from the literature as it pertains to entrepreneurship and social entrepreneurship.

² The insight that profit appropriation is the key distinction between profit-seeking and social entrepreneurs evolved from a discussion between the author and Scott Shane on November 17, 2005.

FIGURE 1
Entrepreneurial Process



Environment

The entrepreneurial environment provides the context for the entrepreneurial process. The environment includes both the industry and institutional dimensions. The institutional environment for entrepreneurship includes economic, political, and social/cultural factors that influence the rate of exploitation of entrepreneurial opportunities and research has shown that a number of industry-related factors favor entrepreneurial opportunities (Shane, 2003). Industry and institutional-related factors have also been examined in the nonprofit setting using a six-forces approach to characterize important elements of industry structure (Oster, 1995). This approach is adapted from a five-forces approach developed by Michael Porter for the corporate sector (Porter, 1980).

While the literature provides broad context; it does not address important environmental considerations for pattern-changing social entrepreneurs. For example, it does not address questions such as: What are the industry and institutional factors that give rise to pattern-changing social entrepreneurs and how do entrepreneurial opportunities and the potential for scale differ with differences in environment? What opportunities are there for pattern changing entrepreneurs to shape their environments and how important are environmental shaping strategies to entrepreneurial success?

Opportunity

Start-up activities include the discovery of an opportunity and the decision to exploit it. Development activities include refining the opportunity and growth activities include scaling the

solution. As the solution is scaled and others gain information about it, the nature of the opportunity changes and evolves (Ardichvili, Cardozo, & Ray, 2003 and Eckhardt & Shane, 2003).

Entrepreneurial opportunity is defined by Shane (2003) as a situation in which an entrepreneur can create a new means-ends framework for recombining resources that will yield a profit. Two types of entrepreneurial opportunities have been identified; Kirznerian and Schumpeterian. Kirznerian opportunities are based on differential access to existing information (Kirzner, 1997) while Schumpeterian are created when changes in technology, political forces, regulation, macro-economic factors and social trends provide new information that enable entrepreneurs to recombine resources into more valuable forms (Schumpeter, 1934).

Entrepreneurs discover opportunities because they have better access to information about opportunities and because they are better at recognizing opportunities than others given the same information (Shane, 2003). In his examination of entrepreneurship and organizational change in human services, Young (1985) found that entrepreneurial opportunities were often discovered as part of solving important problems that reflected trends and long-term developments in the social, economic, and technological environment.

While the entrepreneurship literature has much to say about the nature of opportunities and their exploitation for profit-seeking entrepreneurs it says little about the nature of opportunities that lead to pattern changing social entrepreneurship. It also provides little grounded insight into unique attributes of social entrepreneurs that contribute to their success.

Strategy

During start-up, the key strategic issue is managing start-up uncertainty (Shane, 2003). Development includes constructing a model for creating direct social impact (derived from the activities of the social entrepreneur/enterprise) and for creating indirect social impact (derived from influencing the activities of other enterprises). It also includes creation of models or approaches for resourcing, capability building, and growth (Guclu, Dees, & Anderson, 2002). Strategy development does not need to be a structured and planned activity (Mintzberg, 1989); in fact, early on, strategy development is likely to be emergent while later it is likely more deliberate. Entrepreneurs generally have little time and resources to develop detailed strategies. Rather they integrate action with analysis and adopt approaches that are quick cheap and timely (Bhide, 1992). During growth, the strategy is further refined and specific growth strategies are employed (Hisrich, Peters, & Shepherd, 2004).

The development of effective models for creating direct and indirect social impact lie at the heart of social entrepreneurship. The social impact model provides clarity about how the venture will achieve its intended social impact and shows how inputs to the venture will produce a sequence of intermediate and ultimate outcomes (Guclu et al., 2002). Key strategic considerations for social entrepreneurs include the relationship between activities and mission, competition and cooperation, product mix, pricing, fundraising and growth strategies. The most fundamental to these considerations is the relationship between activities and mission which serves as the foundation for product mix, pricing and fundraising strategies. James (1983) and Young & Steinberg (1995) have modeled the nonprofit firm by identifying three kinds of activities: favored – related to mission and valued by managers; neutral – unrelated to mission

and managers are indifferent; disfavored – may impair the mission or are distasteful to managers. Nonprofits may choose to produce favored services at a financial loss, and use financial surpluses from neutral or disfavored services to subsidize them (Figure 3).

FIGURE 2
Nonprofit Activity Map

Activity Map

Financial Consequences	Positive	Profitable Dis-favored Activities	Profitable Favored Activities
	Negative	Un-Profitable Dis-Favored Activities	Un-Profitable Favored Activities
		Negative	Positive

Mission-related Benefits

This framework suggests that commercial activities will contribute in varying combinations to generating revenue and accomplishing the mission; they will be approached with caution due to potential risks to reputation and possible losses of other sources of income; and they will be encouraged by financial pressures and the lack of alternatives such as grants, donations, and government funding.

Hisrich et al.(2004) identify four types of growth strategies as well as approaches for using external parties to help growth the business. These growth strategies apply to social entrepreneurship as well as profit-seeking entrepreneurship. As identified in the practitioner literature, in some cases social entrepreneurs are able to grow their social impact at a much greater rate than they grow their enterprise by using techniques for “scaling impact” (Dees, Anderson, & Wei-Skillern, 2004).

While the literature provides general insights and anecdotal ideas with respect to strategy it does not offer empirical findings about the distinctive ways in which pattern changing entrepreneurs develop strategies that lead to systemic change.

Resourcing

Start-up activities include obtaining financing and initial resources. Development activities include testing, refining, and exploiting the resourcing approach developed as part of the strategy. Growth activities include exploiting and further refining the resourcing approach.

As pointed out by Shane (2003) obtaining sufficient capital is important because new ventures with more capital are more likely to survive, grow and become profitable and adequate capital provides the image of success and can lend legitimacy. Hisrich et. al. (2004) identify sources of funds available to profit-seeking entrepreneurs and Skoot (1988) and Weisbrod (1998) identify sources of funds for non-profit entrepreneurs. Practitioners suggest that the most

attractive resourcing models are ones that leverage underutilized resources and enhance social impact (Guclu et al., 2002).

While the literature provides much general and anecdotal information on resourcing and resourcing strategies there is no empirical research to provide insight into how successful pattern change entrepreneurs overcome their resourcing challenges.

Organizing

Start-up activities include establishing the legal form and initial organization. Development activities include sequentially building of core competencies needed for success by shaping structure, processes, systems and culture and by transforming personal resources into organizational ones. Growth activities include formalization of structure and processes.

Key considerations for social entrepreneurs include choice of mode, whether to organize as a nonprofit or for-profit, and staffing (Young, 2001). Brush, Greene, Hart & Haller (2001) demonstrate the importance of sequential building of core organization competencies. Since entrepreneurs begin with a deficit of resource strengths the building of core competencies is central to effective organizing.

When undertaking development activities the entrepreneur must be agile and adaptable enough to figure out how to survive while at the same time align their organizations to deliver value and demonstrate competence. Gibson and Birkinshaw (2004) define contextual ambidexterity as the behavioral capacity to simultaneously demonstrate alignment and adaptability across an entire business unit. Principles of contextual ambidexterity are likely to improve the effectiveness entrepreneurial development activities.

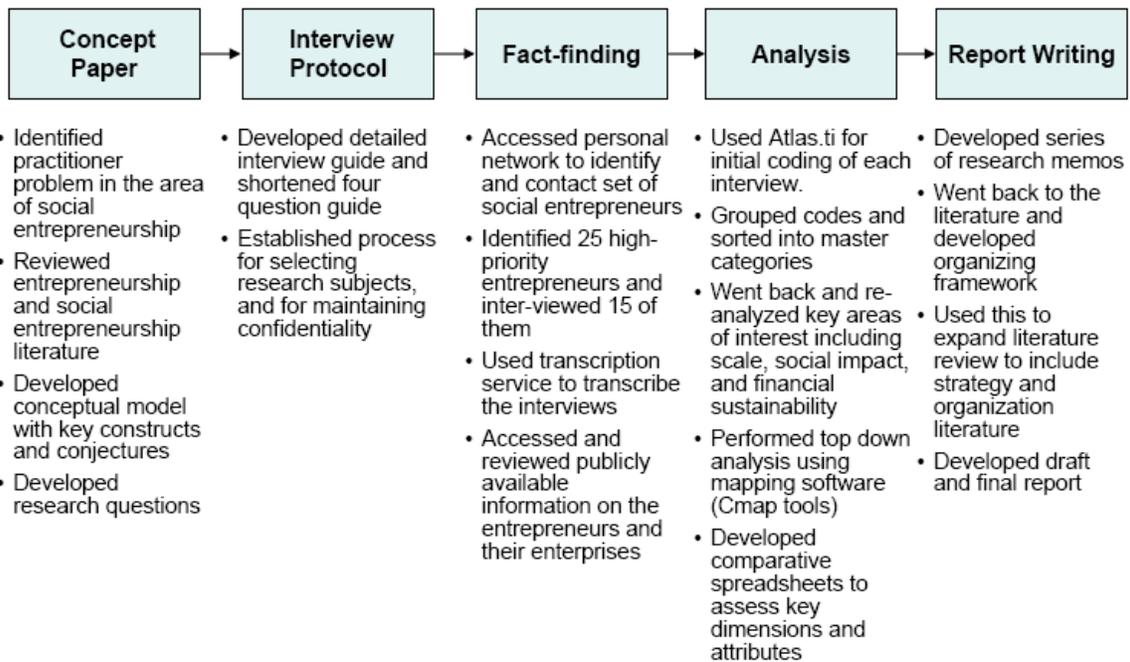
The ability to institute professional management practices is a key success factor for achieving growth (Wiklund & Shepherd, 2003a). Hisrich et al. (2004) identify important organizing processes with respect to growth.

While much of what is in the empirical and theoretical literature may apply to social entrepreneurs the literature provides no empirical insight into the organizing efforts for pattern changing social entrepreneurs. In addition, little is said about the success requirements at the organizational level for creating large social impact.

RESEARCH METHOD

The research process followed the five steps summarized in Figure 3. It started with the identification of a practitioner challenge in the field of social entrepreneurship. The

FIGURE 3
Research Process



challenge of scaling up, which is addressed by this research, was identified in consultation with Ashoka. A concept paper was then developed based on a review of the literature. This paper included a conceptual model and a detailed set of research questions. The interview protocol was developed by first identifying a series of detailed interview questions which were then simplified into four open-ended questions that address 1) current enterprise, 2) the moment when the entrepreneur first thought success was possible, 3) the story of how the enterprise grew and evolved and 4) the future vision. The four questions allowed for free flowing interviews that invited the interviewees' to emphasize issues most relevant to them. The detailed questions were used as probes to explore key topics.

Twenty five social entrepreneurs were identified for the research and 15 of these were interviewed. All of the social entrepreneurs were considered pattern-changing entrepreneurs. Many of them were Ashoka fellows, several had won social entrepreneurship awards, and all had spent at least 3-5 years trying to scale their enterprises (grow their operation to a sufficient size and configuration to enable them to meet their objectives). At least half of the entrepreneurs were successful in sustaining the funding they required and at least half of the entrepreneurs had significant sources of earned income.

The areas of focus and missions for the fifteen entrepreneurs are provided in Table 1. The entrepreneurs represented both mature and emerging sectors. Seven of the entrepreneurs operate in mature sectors with established incumbents while the remaining eight operate in emerging sectors with new or no incumbents.

TABLE 1
Areas of Focus and Missions for the Entrepreneurs

Focus	Number	Mission/Social Impact
Youth	1	Demonstrate and spread a better charter school model
	2	Transform the culture of youth sports to make youth sports a positive character building experience
	3	Keep young people alive and free and prepare them for college and work
	4	Create fun places to play within walking distance of every child and build community social capital
	5	Increase college enrollment rates of low-income students.
	6	Demonstrate that any child can succeed in secondary school and college
	7	Promote diversity through mass communications and use youth run communications businesses to educate and prepare youth for careers in communications
	8	End youth discrimination, harassment and violence based on sexual orientation
	9	Put brand new books into the hands of disadvantaged children
Poor	10	Restore sight from cataracts and prove a model of financial self-sufficiency that can be adapted to other health interventions and more broadly
	11	Provide fair trade coffee and other products to benefit the poor and the environment
	12	For-profit model of micro finance
Environ-ment	13	Reduce electricity use and greenhouse gas through equipping homes with solar energy
Non-profits	14	Provide technology solutions for disadvantaged communities or the non-profits that serve them
	15	The web place to connect nonprofits with volunteers and donors

The 15 interviews each lasted approximately one hour. Interviews were recorded and transcribed. Recordings were listened to multiple times. A wide range of publicly available data was also collected and reviewed for each entrepreneur.

Analysis followed established techniques for developing grounded theory as described by (Strauss & Corbin, 1998; Glaser & Strauss, 1999; and Clarke, 2005). Atlas.ti computer software was used to aid coding and grouping. The process included bottom-up coding, development of a series of comparison tables and development of various conceptual maps. The coding analysis began with open coding where 103 codes were identified. The more interesting codes were grouped into the following six families: attributes, financial sustainability, phases, resources, scale and social impact. The quotes for these families were consolidated into separate

documents that were further analyzed and in some cases re-coded. A number of comparative spreadsheets were developed to identify and assess key elements of the enterprise model for each entrepreneur. Several conceptual maps were developed using a drawing software Cmap tools. Key concepts from the coding were identified and grouped and interconnections were mapped. The software enabled an iterative process of re-grouping and reconfiguring the maps.

FINDINGS

The findings indicate that pattern-changing social entrepreneurs are more concerned with scaling their impact than with growing their enterprises. Hence, many were pursuing both direct scaling, where they grew their own enterprises, and indirect scaling where they pursued impact through influencing other organizations. All the entrepreneurs were operating in capital constrained environments and scaling required overcoming funding constraints. Successful entrepreneurs developed viable self-reinforcing resourcing and capability building approaches built on principles of value exchange with partners, funders, and customers. They exploited these to scale their organizations and their impact. A critical success factor was moving from individual skills to core organizational-level competencies. The findings indicate many similarities between social entrepreneurship and profit seeking entrepreneurship as characterized in the empirical literature. Key differences include implications of the social mission and resource acquisition for non-profit entrepreneurs.

The social missions of the entrepreneurs were centered on creating large social impact. This focus meant that entrepreneurs were indifferent to whether impact was delivered directly through their organizations or indirectly through the efforts of others. What mattered most was achieving the greatest impact as quickly as possible. To do this, most of the entrepreneurs we investigated pursued both direct and indirect scale. Profit-seeking entrepreneurs on the other hand have a strong focus on profit appropriation (Shane, 2003) and therefore focus their attention in areas that enable them to capture entrepreneurial profit for themselves.

Non-profit social entrepreneurs are unable to fund their operations through equity. They can, however, use their mission to help them acquire financial and non-financial resources. Most of the social entrepreneurs we investigated garnered financial resources through a combination of foundation funding and earned income or government funds. There are likely more similarities than generally acknowledged between for profit and nonprofit funding (Letts, Ryan, & Grossman, 1997). In particular, the similarities lie in the need to provide value to funders in exchange for funds and capacity building resources. For foundations, this value may be in terms of social rather than financial return. For corporate partners, the value may be in terms of marketing, reputation, and tax benefits.

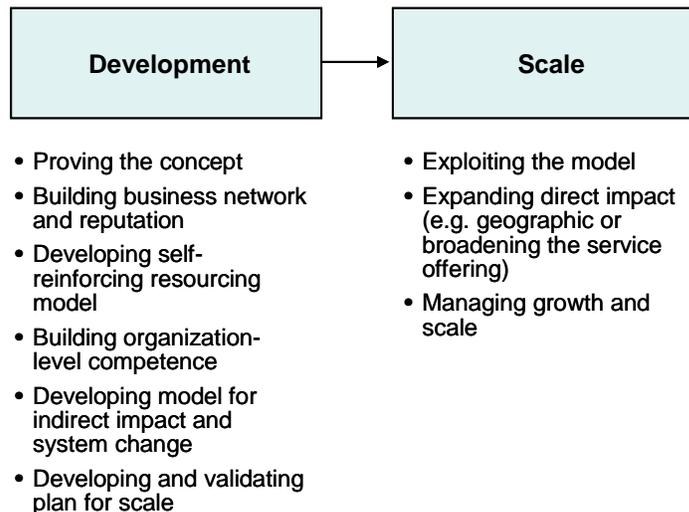
Table 2 summarizes key findings.

TABLE 2
Summary of Key Findings

Constructs	Findings
Overall	<ul style="list-style-type: none"> ▪ Social entrepreneurship is not a linear process. Rather it is one of discovery, evolution, growth, learning and reinforcement.
The opportunity	<ul style="list-style-type: none"> ▪ Most of the entrepreneurs began with a unique and innovative idea and then “discovered” through trial and error how to build a successful enterprise. ▪ The opportunity changed and evolved as the enterprise grew.
Entrepreneurial attributes	<ul style="list-style-type: none"> ▪ Most of the entrepreneurs did not start out with the capabilities needed for success; however through driving motivation; innovativeness, tenacious networking, and continuous learning and growing the best entrepreneurs developed the capabilities and resources they needed for success. ▪ Skills needed for success change as the enterprise matures.
Social networks	<ul style="list-style-type: none"> ▪ Social networks, while important, were often not in place prior to the venture, some successful entrepreneurs started with poor networks and built them.
Scale & Social impact	<ul style="list-style-type: none"> ▪ Pattern changing social entrepreneurs define scale in terms of the magnitude of their social impact (direct and indirect) rather than by revenues or size ▪ Most of the entrepreneurs measured and verified their impact
Idea and operating environment	<ul style="list-style-type: none"> ▪ Those entrepreneurs that achieved the greatest social impact found ways to leverage their impact indirectly by co-opting others; they also shaped their environments and developed systemic approaches to their change efforts
Resource acquisition	<ul style="list-style-type: none"> ▪ The best entrepreneurs matched funding to the need (e.g. growth, service delivery, facilities) and were able to develop self-reinforcing resourcing models often with innovative earned income strategies base on value exchange. ▪ Success factors include access to capital and building the right team ▪ Discounted/donated goods/services were important to some entrepreneurs
Capability building	<ul style="list-style-type: none"> ▪ Developing and leveraging valuable capabilities and tangible/intangible resources was key; this included core information systems, demonstrated success/reputation, business relationships etc. – these provided a reinforcing loop that led to the development of further resources

All of the entrepreneurs in the sample had ambitious social missions and were committed to making large scale social change. Their success can be characterized as depending on their ability to move from development to scale as depicted in Figure 4.

FIGURE 4
Moving from Development to Scale

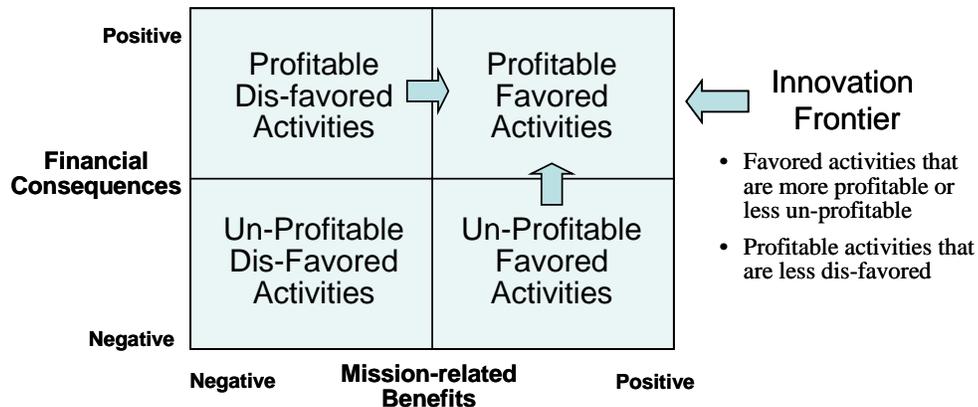


The research identified success factors for moving from development to scale:

- Moving from success based on individual performance to the building of distinctive organization-wide competencies that will truly make a difference;
- Developing a self-reinforcing resourcing approach that includes a deliberate exchange of value with key stakeholders such as recipients, government, business, and/or other third parties;
- Delivering exceptional value to partners and key stakeholders to provide satisfaction, retention and build reputation.

Perhaps the biggest challenge in moving from development to scale is the creation of a successful self-reinforcing resourcing approach. In overcoming this challenge the most successful entrepreneurs discovered ways to improve the profitability of mission related activities and hence expand the innovation frontier as depicted in Figure 5.

FIGURE 5
Expanding the Innovation Frontier



The entrepreneurs discovered new means-ends frameworks and activities that were more profitable and less dis-favored than previously available. This was the case whether the activity was performed in partnership with a corporation, was part of the delivery of services to recipients, or contributed to the manufacture of a socially beneficial product. This creative discovery is the essence of entrepreneurship and the creation of entrepreneurial profit (Rumelt, 1987).

A number of approaches to expanding the frontier were revealed through the research. One notable approach was to identify and partner with the holder of underutilized assets (such as warehouse space) that can be brought to a higher use for the social good. Other approaches included use of differentiated pricing, using technology and innovative processes to drastically reduce delivered cost, designing marketing actions to benefit both the social cause and key partners, and identifying and partnering with those who already value the social innovation. Perhaps, through clear and systematic focus of attention on expanding the innovation frontier, more social entrepreneurs could successfully move from development to scale despite the limitations of the capital markets available for them to access.

DISCUSSION

The research provided a rich perspective on how fifteen social entrepreneurs established and evolved their enterprises. While the social missions for the entrepreneurs vary widely each is intently focused on scaling their enterprise, however, some were more successful than others.

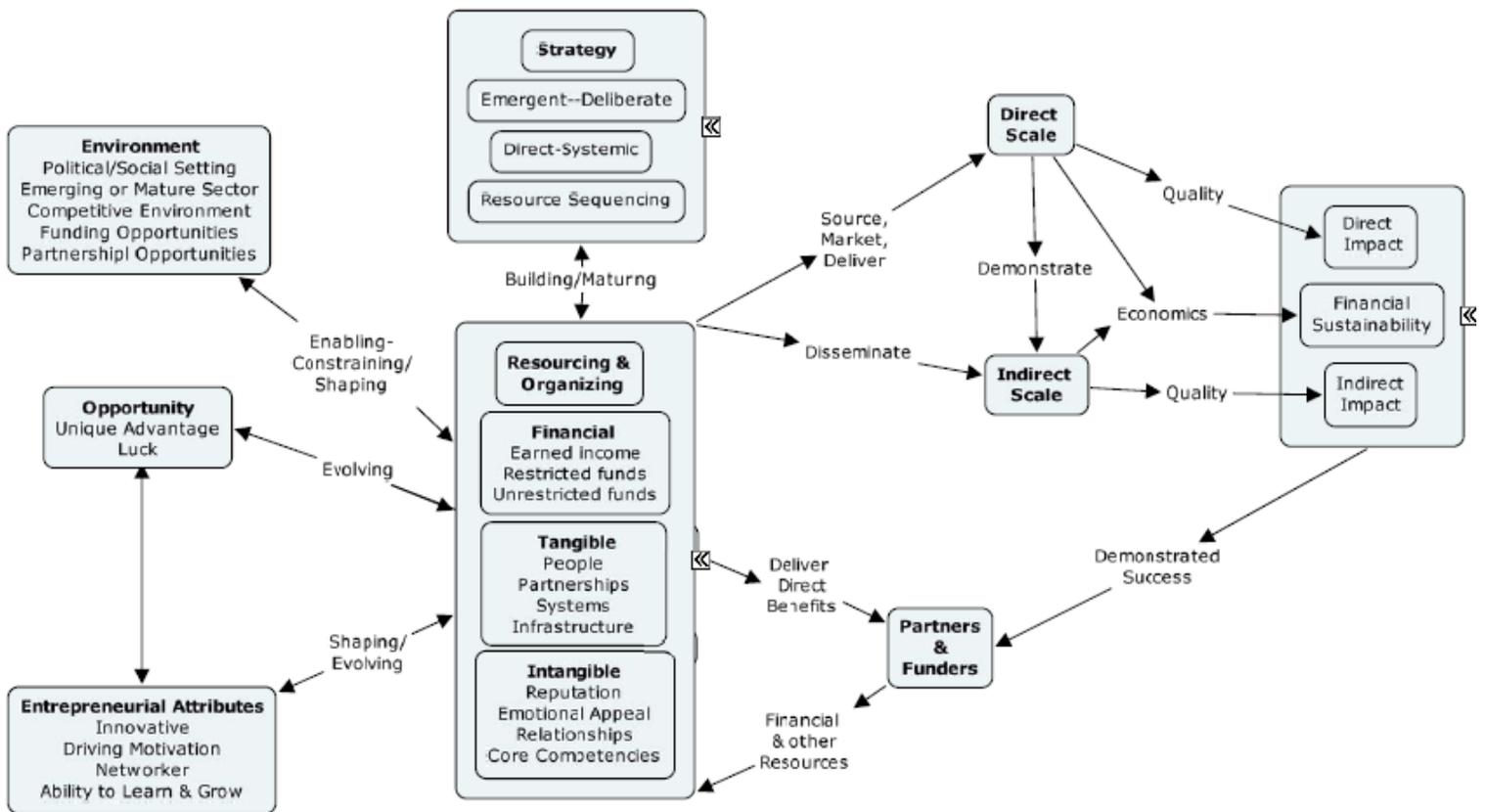
Examples of the social mission include: 1) demonstrate and spread a better charter school model; 2) keep young people alive and free and prepare them for college and work; 3) increase college enrollment rates of low-income students; 4) provide technology solutions for disadvantaged communities or the non-profits that serve them; and 5) provide fair trade coffee and other products to benefit the poor and the environment.

A detailed conceptual map was constructed from the grounded research (Figure 6). The map was constructed bottom up by coding interview quotes and grouping them into key concepts. These were then connected together to reflect key interrelationships.

While many of the concepts depicted in the map such as environment, opportunity, strategy, resourcing, and organizing were identified through the review of the literature the research uncovered important differences. What is striking is the number of double arrow linkages and feedback loops. Entrepreneurship is not a linear process. Rather it is one of discovery, evolution, growth, learning and reinforcement. The map also depicts a self-reinforcing approach for working effectively with partners and funders.

What follows is a discussion of each part of the conceptual map along with examples from the interviews and fact-finding.

FIGURE 6
Detailed Conceptual Map from Grounded Research



Environment – Important dimensions of the environment that came through during the research included the political and social setting, whether the sector was emerging or mature, whether there were existing competitors, and the availability of funding and partnership opportunities. The environment provides the context within which the social entrepreneurs operate and as such it both enables and constrains the entrepreneurs’ innovation. Many of the entrepreneurs were very effective at shaping their environments to create greater impact and to provide critical funding.

The political and social environment establishes the setting from which the social challenge arises and also provides the parameters for the solution/innovation. For example, the

U.S. based youth-related enterprises are addressing education and youth development problems that have festered for years. The timing was right in the U.S. for addressing youth discrimination, harassment and violence based on sexual orientation. A Mexican microfinance enterprise could not just copy the Grameen banking model but had to reinvent it to fit the unique characteristics of Mexico. Similarly a U.S. fair trade organization had to adapt its fair trade offering to the characteristics of the U.S. market.

Government funding enabled several of the entrepreneurs to establish viable enterprises; however, the funding did not just happen; it required savvy advocacy on the part of the entrepreneurs in order to make it available. Partnerships were also important for many of the entrepreneurs. The availability of large corporations with sensitivity to social issues was certainly an environmental factor that enabled success. But again, it was only through the creative initiative of the entrepreneur that symbiotic partnership could be envisioned and created.

Entrepreneurs in the mature sectors (such as schools) set out to transform the prevailing models in their sectors while entrepreneurs in new or establishing sectors (such as technology start-ups) set out to pioneer and help build a new field. Entrepreneurs in both mature and emerging sectors set out to shape their environment in order to further their mission and achieve financial viability. Table 3 provides examples of how a number of the entrepreneurs are shaping their environments; key techniques include changing regulations and raising public awareness.

TABLE 3
How Did the Entrepreneurs Shape their Environment?

Examples
<p>Regulatory</p> <ul style="list-style-type: none"> ▪ Changed state legislation to provide funding for charter schools and to assist charter schools in obtaining building. ▪ Worked with congress and local city board to pass legislation and get funding for charter boarding schools. ▪ Worked to pass legislation that prohibits discrimination on the basis of sexual orientation and gender identity. ▪ Advocated for legislation that requires school districts to track statistics on the percentage of students that go on to college. ▪ Advocated for legislation to require energy upgrades when houses are sold/bought. <p>Public awareness</p> <ul style="list-style-type: none"> ▪ Raised societal awareness of the key issues they are addressing (e.g. the value of unstructured play, double goal coaching etc.). ▪ Raised awareness of socially preferable brands. ▪ Developed TV shows, print media etc. to empower youth.

Opportunity – All of the entrepreneurs that participated in the research pursued a unique advantage which served as the foundation for their innovation. Each of them had formulated a creative and unique solution to a societal challenge; many of these were enabled by technology; others were not. The initial innovation generally was centered on a better way to address a social issue. Once launched and as the enterprise developed the innovation was expanded to address

how to grow, scale, and sustain the impact. Examples of the initial innovations and expanded innovations for a number of the entrepreneurs are presented in Table 4.

TABLE 4
What was the Innovation and how was it Expanded?

Initial Innovation	Expanded Innovation
<ul style="list-style-type: none"> ▪ More effective schools for inner-city youth 	<ul style="list-style-type: none"> ▪ Concentrating the placement of new schools to provide best chance of co-opting existing public schools to use more-effective model
<ul style="list-style-type: none"> ▪ Method of building play spaces for youth that also builds community social capital 	<ul style="list-style-type: none"> ▪ Method for disseminating the learnings and co-opting playground manufacturers to adopt social capital approach
<ul style="list-style-type: none"> ▪ Workshops for helping poor youth prepare applications and get accepted into college 	<ul style="list-style-type: none"> ▪ Process and tools for home room teachers to help youth establish goals, prepare applications, and get accepted into college
<ul style="list-style-type: none"> ▪ Cost effective-scalable method for distributing free books to children 	<ul style="list-style-type: none"> ▪ Web-based marketplace for distributing discounted books when free ones are not available
<ul style="list-style-type: none"> ▪ Establishing a non-profit high-tech company to provide cost-effective reading machines for the blind 	<ul style="list-style-type: none"> ▪ Establishing an incubator to start-up and nurture several high-tech non-profit ventures
<ul style="list-style-type: none"> ▪ Distributing and creating a market for fair trade coffee 	<ul style="list-style-type: none"> ▪ Expanding fair trade into a life-style brand with a full range of products

A striking feature of how the opportunity developed was the role of luck. While all of the entrepreneurs worked hard, many of them attributed much of their success to being lucky. In one interesting exchange the entrepreneur recounts the following:

“Over the years there have been striking number of times when it feels like you get an idea or you get a strategy and you’re just working your brains out on it; nothing happens NOT A THING. It doesn’t move, and then – your phone rings. And it’s like some gigantic opportunity that you’ve had nothing to do with falls on your lap. You’d like to call it your genius, but you didn’t do a thing. It’s just your phone rang, and your genius was answering it. That was your contribution. And so I always laugh and say, well, that hard work was just to keep me busy, so I didn’t turn into a felon or something while I was waiting for that serendipity to bang on my door.”

Entrepreneurial Attributes – While a wide range of attributes of the entrepreneurs were identified during the research, four stood out as being most critical to the success of the entrepreneurs. These were innovativeness, driving motivation, ability to network, and ability to learn and grow. All of the entrepreneurs were pursuing innovative ideas and were refining and adding to these as they grew their enterprises. All of the entrepreneurs also had a driving

motivation to do whatever they needed to in order to achieve their social mission. One highly celebrated entrepreneur distinguished himself from profit-seeking entrepreneurs:

“We take it to heart a lot more; we can’t just walk away – hey it's just business. It's not that way with us. That's why I think I put myself though a lot of misery like always being on the brink of failure and wanting to keep something going on a shoestring budget; because I don't want to give up on the social mission part.”

Another spoke of the hardships during a prolonged start-up phase.

“The most important thing is persistence. I mean, basically we started with essentially no money, two paid staff people and me volunteering to run it. And we worked that way for five years. Five years is only two words, but it's a very long time when you live through it. So for five years we worked with a total annual budget of about \$100,000 a year.”

A third commented on how her enterprise had grown and then in the same breath she stated:

“We are multiples bigger than we were just a few years ago. But there are still kids waiting. The work’s not done. We’re not even seeing the finish line.”

All of the entrepreneurs developed strong networks of contacts, associates and partners and this was critical to their success. As recounted by one entrepreneur:

“Not knowing people was a real obstacle. Now we know lots of people and understand how important that is. I'm still annoyed that the sector works this way, that relationships are so important especially for raising funds.”

Also, while it may be common for profit-seeking ventures to change management teams as they grow this is likely to be more difficult for innovative social enterprises where the founder provides much of the critical momentum necessary for success. Those entrepreneurs who were able to move beyond the start-up and development stage were students and learners; each of them learned and evolved to meet the needs of their endeavors. Examples of their approaches to learning are presented in Table 5.

TABLE 5
How did the Entrepreneurs Grow and Change to Meet the Needs of their Enterprises?

Examples
<p>Mentoring</p> <ul style="list-style-type: none"> ▪ Built strong relationship with prominent banker who provided ongoing mentoring ▪ Obtained advice and coaching from board members ▪ Learned about the concept of a “model store” from one board member and adapted it to the enterprise <p>Structured Learning</p>

Examples
<ul style="list-style-type: none"> ▪ Brought in COO, redefined roles, and sought coaching to professionalize for growth phase ▪ Obtained consulting assistance and coaching to refine growth strategy, help recruit new senior executives, align the organization, and build skills ▪ Went through government contracting process even though not technically required in order to learn from participating in the process ▪ Learned from visiting and benchmarking others, taking courses attending conferences, accessing World Bank expertise and guidance

Strategy – All the entrepreneurs could articulate a strategy for their endeavors. Some of the strategies emerged as events unfolded while others were more deliberate and planned. Even the deliberate and planned strategies were modified based on experience.

“We’ve spent a lot of time this year revisiting the original business plan strategy, and looking at it in light of new products, new market opportunities, and new market conditions. That said we’re not satisfied with just what we know in-house, so we are negotiating with McKinsey for major strategy review.”

Interestingly, all of the entrepreneurs had strategies that addressed both how to enhance the direct impact as well as how to achieve indirect impact and/or systemic change. One entrepreneur responded with the following when asked to envision the future.

“Well, I think it would still be a small, nimble organization or even out of business in as much as that the platform that we create of the products, tools and services are now self owned by the community and feeds itself. So that the role of the organization isn’t necessarily needed because the community is feeding itself. The online portal is feeding itself of new contents and best practices. Somebody may be doing maintenance to it, but it’s not the organization that it is now.”

Each of the fifteen entrepreneurs had a systemic approach and a number of examples of these are summarized in Table 6.

TABLE 6
How are the Entrepreneurs Pursuing Systemic Change?

Examples
<p>Changing existing providers</p> <ul style="list-style-type: none"> ▪ Demonstrating the success of a new model for inner-city education and competing with existing schools to encourage change from inner city schools throughout state. ▪ Co-opting playground manufacturers into a community-based model, providing training materials for community groups and building a platform for peer to peer learning ▪ Spreading new eye-surgery approaches regionally by having the adopting facilities train

Examples
<p>and support others</p> <ul style="list-style-type: none"> ▪ Demonstrating the success of corporate social venture partnerships and encouraging other nonprofits to adopt such approaches <p>Encouraging the development of new sectors or segments</p> <ul style="list-style-type: none"> ▪ Demonstrating the success of social technology ventures and networking throughout Silicon Valley to encourage growth of the sector ▪ Building consumer and business awareness of socially preferred coffee and spreading expanding the range to additional products ▪ Demonstrating success of inner-city boarding schools with objective of having this model broadly adopted.

Resourcing and Organizing – When starting out, each of the entrepreneurs had limited resources. Over time they obtained resources and built capabilities and competencies. Their ability to use their personal skills and widely available resources to build organization capabilities and core competencies was critical to their success achieving greater impact and scaling their operations. Important resources included financial (earned income, restricted and unrestricted funds), tangible (people, systems, infrastructure, and partnerships), intangible (reputation, emotional appeal, relationships, and capabilities).

Table 7 provides insight into how the entrepreneurs developed approaches for sustainable and self-reinforcing funding.

TABLE 7
How did the Entrepreneurs Build Sustainable and Self-Reinforcing Funding?

Examples
<p>Government funding</p> <ul style="list-style-type: none"> ▪ Legislation to provide funds that cover ongoing operating expenses for educating students as well as overhead expenses once scale is achieved, foundation funding for growth, and low cost bonds for buildings. High quality service and measurable results to attract students and policy makers. <p>Earned income - users</p> <ul style="list-style-type: none"> ▪ Introduced tiered pricing, cross subsidies and redesigned high volume/low cost methods to enable existing eye hospitals to be self sustaining and provide free services to the poor. High quality service that attracts more patients through word of mouth. ▪ User fees from one service used to finance free services. Network effect and scale enhance value of the service as enterprise grows; therefore attracting more customers. Convening of conferences and meeting to build strong value-added networks. ▪ Transformed from nonprofit to for-profit form and raised additional equity for growth. Model from one region replicated in others. Group lending model tailored to local situation. Interest rate set to fund growth and provide value to customers.

Examples	
<ul style="list-style-type: none"> ▪ Seed funding for starting up new regions. Each region must become self-sustaining through mix of earned income and local fundraising. Proven methods provided to each region. 	
Earned income – third parties	
<ul style="list-style-type: none"> ▪ Corporate partnership fees for direct build; foundation funding to build systems and execute on seed and rally strategies. Repeat business and referrals attract partners and revenue. ▪ Earned income model based on amount of socially preferable product that is sold along with long-term low interest rate loan for funds that will be used to raise awareness and drive demand for socially preferable products. Joint investments in co-branding to drive demand and scale. ▪ Fees from universities and school districts in return for increasing the number of poorer students who enroll in college. Foundation funding to prove the concept and demonstrate superior results. Demand creation through legislation that requires measurement of enrollment rates. 	

The best entrepreneurs deployed and sequenced resources to build organization capabilities and core competencies. Table 8 provides examples of how several of the entrepreneurs accomplished this.

TABLE 8
How did the Entrepreneurs Sequence Resources to Build Organization Capabilities and Core Competencies?

Example - Entrepreneur 1	
Objective	Building and spreading a better charter school
Funding	Leveraged board members to change regulations to fund operations and finance building; foundation fundraising capability for growth and capacity building
People	Top-notch leadership team with both education and business skills; top-quality teachers and administrators
Partnerships	Community outreach approach to build local support; community colleges for delivery of some course; local public schools to encourage them to adopt the innovations
Buildings	Building program where the core competency is identifying suitable sites so that development work is not wasted on sites that are later abandoned
Operations	Model for various sizes and types of schools; including all operational and academic requirements for successful start-up and operation
Results	Delivering high quality education with measurable performance and successfully executing on aggressive growth plan; building strong reputation which helps with raising funds for growth, attracting community and student demand and building further partnerships.

Example - Entrepreneur 9	
Objective	Putting brand new books into the hands of disadvantaged children
<i>Understood the problem</i>	Met with publishers to understand why they throw away excess books; discovered that it is cost prohibitive to distribute them to the needy
<i>Developed the large scale solution</i>	Developed computer program for tracking and distributing excess books; partnered with publishers to distribute all their excess books; established registration systems for non-profits to order excess books, developed partnership with coast guard and corporations for use of excess warehouse space on a rotating basis to use as drop ship locations. Developed process for shipping ordered books from drop ship locations and distributing books locally through on the ground campaigns
<i>Developed corporate and local partnerships</i>	Corporate partnerships provide funding and volunteers for distributing books. In exchange, corporations get visibility and additional targeted benefits in select markets. Local partnerships provide local advisory boards and on the ground resources for book distribution and for profession campaigns that provide publicity and press coverage.
<i>Developed online discount book sales</i>	Online system enables nonprofits to order books at steep discount. This supplements free books. This system is being expanded internationally.
Results	Exceptional growth rate through leveraging technology and building to scale, and by providing corporate partners with more value than they ask for or expect. Have won awards for campaigns and have demonstrated the value of nonprofit/for-profit partnerships.

The best entrepreneurs were also able to build capable and committed organizations. They provided a carefully balance blend between business focus, accountability for specific results and enterprise-wide team work. They worked to build cultures that in the words of one entrepreneur mix a “public sector heart” with a “private sector head.” They also encouraged individuals to push for ambitious goals yet created cooperative environments that created synergy among the various parts.

“Each one of our strategies to some degree is their own business unit. But, the people who run those strategies are also very aligned as a team and with me to make sure that we’re protecting the vision and mission and they don’t put their individual strategy above the greater whole of the organization.”

The entrepreneurs appear to have built their organizations consistent with four interdependent attributes (discipline, stretch, support and trust) conceptualized by Ghoshal and Bartlett (1994). They argue that an organization has to foster discipline and stretch to encourage individuals to push for ambitious goals and it needs to lend support and trust to create a cooperative environment.

Partners and Funders – Effective partnerships are a key to the success of many of the entrepreneurs that were studied. The most successful created mutually beneficial partnerships where specific synergies provided value to each party.

One of the notable approaches begins with a technique called “asset mapping.” The enterprise analyzes all of their assets and capabilities including facilities, systems, partnerships, inventories, and campaign delivery capabilities. In the words of the entrepreneur they ask:

“What are the non-cash assets that we either have or we can get or we can build that we can bring to the table with corporate partners? Is it that we are in 245 markets? Is it media outreach? Is it creative marketing ideas? Is it celebrities? Is it book contributions? Is it online something? And we have asset maps that we keep – they are like databases. This is something we work hard on.”

To prepare for meeting with a prospective partner this enterprise analyzes the partner to understand their strategies, customers, challenges, locations etc. and to identify win/win partnership ideas. From there they work with the prospective partner to design a mutually beneficial partnership designed around a specific campaign with clear goals and measurable outcomes. After the campaign they analyze the results in terms of the amount of publicity and number of people that were exposed, as well as performance against other specific goals.

Table 9 summarizes the mutual benefits from the partnerships of a number of the entrepreneurs that we investigated.

TABLE 9
What Mutual Benefits did Entrepreneurs Create through Partnerships?

Benefit to Entrepreneur	Benefit to Partner
<ul style="list-style-type: none"> ▪ Earned income, warehouse space, volunteers, free books 	<ul style="list-style-type: none"> ▪ Targeted publicity, high-value community involvement event for employees, tax write-offs for donating excess warehouse space
<ul style="list-style-type: none"> ▪ Raw materials, volunteers, funds 	<ul style="list-style-type: none"> ▪ One-day high-impact community service event for employees, teambuilding, publicity
<ul style="list-style-type: none"> ▪ Discounted components that go into high technology products 	<ul style="list-style-type: none"> ▪ Incremental revenue source for components
<ul style="list-style-type: none"> ▪ Opportunities for youth to gain media job experience, earned income 	<ul style="list-style-type: none"> ▪ High quality advertising focused on the youth market at competitive rates
<ul style="list-style-type: none"> ▪ On the ground media campaign and book delivery capability 	<ul style="list-style-type: none"> ▪ Low cost and free books for delivery to recipients
<ul style="list-style-type: none"> ▪ Working space, dormitory and meal service, funds 	<ul style="list-style-type: none"> ▪ Early and favored exposure to qualified minority college applicants

Scale – The social entrepreneurs who are focused on social impact are indifferent to whether that impact is delivered directly through their organization or indirectly through the efforts of others. What matters most is achieving the greatest impact as quickly as possible. There are unmet social needs out there and the social entrepreneur is committed to fulfilling them. To that end, most of the entrepreneurs investigated in this study pursued both direct and indirect scale. Direct scale was used to demonstrate a better way, prove the model, and serve a

portion of the population. Indirect scale was used to co-opt existing organizations to adopt the innovation, build the field, and obtain leverage.

Direct scale is generally measured by increases in the size of the organization in terms of revenues/funding and staff, in the volume of services/products delivered, and in the number of customers/clients. It is achieved through sourcing inputs and marketing and delivering goods/services. Direct scale can take the form of geographic expansion and/or a broadening in the number of product/service offerings. One of the entrepreneurs used the model store approach to scaling:

“One of our advisors educated me or introduced me to the concept of a model store. And his point was somebody starts a company, set up a hamburger stand, jewelry store, software shop, whatever it is, and people are eager to expand and they haven’t learned to make money in that new, in that one store yet and they open seven more stores. Now all of a sudden they’re losing money in eight places instead of one place. So figure out your model store, get it working, then go to a new place and replicate it.”

Indirect scale is measured in terms of impact the entrepreneur is able to achieve through influencing other organizations. The most common method of indirect scale is through a dissemination model where the entrepreneur packages the innovation and provides it to other organizations often along with training and ongoing support. Indirect scale can be faster and more cost-effective if other organizations already exist; however, the entrepreneur has less control and must ensure sufficient quality to achieve impact.

The nascent entrepreneur faces some formidable challenges to scaling. These include building a reputation, attracting funders and providers of other resources, and developing distribution capabilities and attracting customers/clients. Once, the entrepreneur builds reputation and distribution capabilities and has established a viable resourcing model they are positioned to scale. In the words of one entrepreneur:

“I think that I remember the first couple of years and no one returning our phone calls. Nobody returning our emails, voicemails, letters. And I’m not exactly sure when the tipping point came but when people started to return the phone calls, I knew there was something special there. And I think that it’s only been recently in the last two or three years where we really realized the power that we have in the marketplace because of our earned income model and have begun to even exercise it even more, frankly.”

The more successful entrepreneurs appear to have followed a more focused approach to growth. They concentrated on doing a few things extremely well and building their reputation and momentum from this. As they expanded and became more established they were then in a position to broaden their service offering. For example, a very successful micro-finance organization focused initially on successfully building a large customer base. Once they have achieved sufficient market penetration they intend to broaden their range of services. In the words of the entrepreneur:

“We’ve been very, very focused on really doing just that. Providing working capital for micro-entrepreneurs and really building some kind of a very highly standardized, highly in a way inflexible, operation because one of our obsessions from day one as I mentioned has been scale. We need scale. We need to grow. We need to grow. We need to grow. And if you need to grow, you need to focus. You can’t have ten products; we have very few products. We’re highly specialized in working capital, very standardized. We do the same thing, and do it over and over and over everywhere; that’s kind of the model we pursue.”

A successful charter school is very focused on building in only four locations despite offers to locate in many other places. In the words of the entrepreneur:

“We experience the temptation for mission drift about four times a day and it is worse at the board level. Mission creep is intoxicating. Every time you partner you wind up with pressure to move beyond your focus. You really have to be disciplined to avoid mission drift.”

On the other hand several entrepreneurs who have been less successful at scaling have pursued multiple offerings. This occurred as opportunities presented themselves and while each decision may have made sense on its own the result has been that the entrepreneurs have spread themselves too thin and have been unable to build organizational competencies to back the diversification. And their ability to scale appears to have suffered.

Social Impact – Success is much more difficult to measure for social entrepreneurs than for profit-seeking entrepreneurs since there is no single metric for social impact. The type of social impact varies with the mission. As demonstrated in Table 10, while complexity and timeliness of measurement varies, the entrepreneurs do measure their impact.

TABLE 10
How do Entrepreneurs Measure their Impact?

Complexity	Timeliness	Metric
Low	Fast	▪ Number of books delivered to needy children (proxy for improving literacy)
		▪ Number of play spaces built using community build process
		▪ Incremental income for producers of fair trade products
		▪ Number of eye surgeries performed for the poor
		▪ Cost savings from technology solution
		▪ Number of sports clubs that adopt double goal coaching
Low	Slow	▪ Percent/number of students that graduate from the charter school/program and attend college
Medium	Fast	▪ Number of students that apply and are admitted to college (unclear how many might have applied anyway)
		▪ Number of micro-finance customers (social impact of the

Complexity	Timeliness	Metric
		loan is not clear)
		<ul style="list-style-type: none"> ▪ Number of GSA clubs supported (social impact hard to measure; requires climate surveys) ▪ Amount of greenhouse gas avoided (challenges validating reductions)
High	Slow	<ul style="list-style-type: none"> ▪ Number of youth that avoid gangs/jail and go to college/work

Financial Sustainability – A number of measures of financial sustainability were explored in the conceptual paper that led to this research, however, the research suggests that for successful pattern-changing entrepreneurs financial sustainability may, in fact, be the wrong construct. A more important construct may be financial constraints. In other words, it would be important to understand whether and to what degree the lack of financial resources is constraining the scaling of social impact.

A number of entrepreneurs cited frustration with their ability to access the capital needed for rapid growth. They were not worried about obtaining the financial resources for their ongoing operations or modest growth; but they saw a huge need for their services and they believed that they could not fulfill this demand without additional funding for rapid growth. Due to what they characterized as “a lack of efficient non-profit capital markets,” they were unable to obtain the amount of capital they desired.

“The lack of a functioning capital market in the non-profit sector especially for social entrepreneurs is the number one topic among entrepreneurs and among the funders of social entrepreneurs. And so you know there’s just a ton of discussion about it. Probably the number one issue is that better performance is not rewarded in the capital market.”

For other entrepreneurs, the constraints to growth were the capabilities of the team rather than financial resources. As recounted by one entrepreneur once they had their model down the key to sustainability was getting the right people for their pivotal positions.

“The ideal is that every geographical area will, through a combination of earned income or contributed income pay for itself and contribute to overhead for the whole organization. Portland and Chicago were so far away from that, I mean, we just weren’t getting any business there. Partly because the individuals we hired were not able to close any deals.”

Another entrepreneur recounts how effective implementation of the right model, one that is counter-intuitive was able to drive financial sustainability.

“If you have your pricing, the quality of your outcome and the quality of the experience crafted in such a way that it provides a satisfactory experience, then there’s a huge buzz that is created. We decided to do 2,000 surgeries for free. The word just spread like wildfire, because we gave people back their vision, and in a way that was comforting and respectful. So much of government service, which ostensibly is free, is poor quality, because there’s no

accountability in the patient/provider relationship, because the patient stopped paying anything. The free work set the stage for making the enterprise sustainable because the free work also increased the volume of our high pay hospital. Once we started the free and low pay work, the volume in the high pay just shot up exponentially. So it all has to do with the public perception and how your reputation grows, which is all based on how people feel about what they're getting from you.”

Despite the challenges and inefficiencies of financial markets available to social entrepreneurs, those who develop innovative self-reinforcing resourcing models and execute well are able to overcome resourcing challenges and achieve scale.

LIMITATIONS

This research has a number of limitations. First is the small samples size (only 15 entrepreneurs and their organizations). Most of the entrepreneurs are located in the U.S., one operates globally, one in Mexico and another in Australia. The focus of each organization is quite different. While 9 of the 15 entrepreneurs deal with issues related to youth the nature of their issues and of their innovations differ widely. Most are operating in much different markets. Seven of the entrepreneurs were operating in mature sectors with established incumbents while eight were in nascent sectors with new or no incumbents. Further the social entrepreneurs were a select subset; most were Ashoka Fellows who met strict selection criteria in terms of the novelty of their innovation, their drive, and their integrity.

FUTURE RESEARCH

Social entrepreneurship activity is on the rise and social entrepreneurs hold the potential for solving some of the world's most pressing problems, but they are limited in their access to capital and other resources and in many cases by their business skills. Through better understanding the nature of the opportunities in the social sector, the value of these to society, and the potential for more effective and cost-efficient solutions, business, civil society and government can better allocate their resources and collectively pursue more innovative solutions. A better understanding of how the most successful entrepreneurs overcome key challenges would be valuable to aspiring social entrepreneurs and their potential funders and partners and hence justifies a robust research agenda. Key areas for further exploration include improving the profitability of mission-related activities, partnerships and value-exchange, similarities and differences between social and profit-seeking entrepreneurs, how social entrepreneurs move their organizations from development to scale, comparisons between for-profit and nonprofit funding.

Improving the profitability of mission-related activities by expanding of the innovation frontier warrants both theoretical development and empirical investigation. It is likely that much can be learned by investigating the frontier within specific sectors/industries to better understand the types of sectors and industries that hold the most promise for profit improvement.

It would also be useful to explore partnerships and value exchange from the point of view of both social entrepreneurs and their partners. Sometimes framed as strategic philanthropy, strategic partnerships with innovative social entrepreneurs have much to offer businesses and

donors. A better understanding of the needs and perspectives of potential partners can lead to more robust insight into constructing innovative partnerships for the public good.

Additional research into the similarities and differences between social and profit-seeking entrepreneurs is also warranted. A clearer understanding of the distinctive points of difference would enable both researchers and practitioners to better understand when and where they can draw upon the much extensive research and experience of profit-seeking entrepreneurs. Quantitative research using a sample that includes both profit-seeking and social entrepreneurs could provide valuable insight.

Additional research focused around how successful pattern-changing entrepreneurs move their organizations from development to scale is also warranted. This could include quantitative research to better understand the antecedents of success and it could also include in-depth qualitative case studies to examine of the activities and approaches that social entrepreneurs undertake during the development phase of activity.

Theoretical and empirical research comparing for-profit and nonprofit funding could provide insight into how foundations and venture philanthropists could improve the efficiency of the nonprofit capital markets. It could also help social entrepreneurs present their case for capital to potential sources of funds.

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