

## **SOCIAL ENTREPRENEURSHIP: SUSTAINABILITY AND SOCIAL IMPACT BY NOT-FOR-PROFITS: THEORY AND EVIDENCE**

**Japheth M. Muli** 

School of Business and Economics, Machakos University, Kenya

[japhethmuli@yahoo.co.uk](mailto:japhethmuli@yahoo.co.uk)

**Robert Arasa**

School of Business and Economics, Machakos University, Kenya

[rarasa4@gmail.com](mailto:rarasa4@gmail.com)

### **Abstract**

*Social Entrepreneurship (SE) is; identification of a social problem and a solution for the problem; the evaluation of the social impact, the business model and the sustainability of the venture. This paper is a review of scholarly work on SE and how it creates sustainability of the social mission of not-for-profit organizations. Relevant previous studies have been reviewed and interrogated. The review of scholarly work reveals that Faith Based organizations have taken lead in SE and have obtained sustainability from these efforts. Other private and corporate entities have indulged and excelled in SE, for instance the Grameen bank. Governments e.g. UK, USA, Kenya etc. in their policies have given cognizance to SE for not-for-profits. The findings of this study gives the overall picture that; there is more assurance in the continuity of the work of not-for-profit organizations through the sustainability created by investing in social enterprises. Discussed and reviewed id the theoretical backing of SE being; the Framing theory of social entrepreneurship, theory of resource base, behavioral theory of the firm, the theory of sustainability, change theory, and the capability-based theory. There is opportunity for further research to develop knowledge based numerical evidence on the financial sustainability brought by SE.*

*Keywords: Social entrepreneurship, not for profits, sustainability, social impact*

## INTRODUCTION

Entrepreneurship has been the engine propelling much of the growth of the business sector and it has been the driving force behind the rapid expansion of the social sector. Social entrepreneurship (SE) as a practice that integrates economic and social value creation has a long heritage and global presence. SE is the use of business models towards efficiently catering for basic human needs that existing markets and institutions do not meet. It's the development of innovative, mission-supporting, job creating or licensing, ventures by individual social entrepreneurs, nonprofit organizations, or nonprofits in association with for profits (Pomerantz, 2003). A rapidly growing number of organizations have succeeded in creating such models. SE combines the resourcefulness of traditional entrepreneurship with a mission to transform the target society,(Mair and Marti, 2006). Non-for-Profits already have a mission to transform the society through social mission geared interventions.

Social entrepreneurship (SE) involves; the identification of a specific social problem and a specific solution to address it; the evaluation of the social impact, the business model and the sustainability of the venture. Most important it's about creation of a social mission-oriented for-profit or a business-oriented nonprofit entity that pursues the double (or triple) bottom line (Robinson, 2006). It is an appealing construct precisely because it holds such high promise (Martin & Osberg, 2007). (Mair & Marti, 2006)see social entrepreneurship as differing from other forms of entrepreneurship in the relatively higher priority given to promoting social value and development versus capturing economic value. Social Entrepreneurs are dedicated to solving social problems, serving the disadvantaged and providing socially important goods that were not, in their judgment, adequately provided by public agencies or private markets (Dees, 1994). Social entrepreneurs get to notice opportunities to satisfy some unmet need that the state welfare system will not or cannot meet, gather together the necessary resources (generally people, often volunteers, money and premises) and use them "to make a difference (Thompson et al., 2000)."They usually focus on creation of value, employing innovation, tolerating risk and declining to accept limitations in available resources (Peredo and McLean, 2006).According to Alvord et al., (2004),Not-for-profits may create commercial subsidiaries and use them to generate employment or revenue that serves their social purposes.

Traditionally NGOs get resources through donations in form of grants, cooperative agreements, contracts, in-kind contributions or other form; which they use to create social change. Social entrepreneurship or entrepreneurial activity with an embedded social purpose, has been on the rise in recent decades(Austin, et al., 2006). As observed by Johnson, (2000), social entrepreneurship is emerging as an innovative approach for dealing with complex social needs"(Johnson, 2000), especially in the face of diminishing public funding(Peredo and

McLean, 2006). There has been a steady growth in the non-profits; they increased by 31% between 1987 and 1997 to 1.2 million, exceeding the 26% rate of new business formation(Almanac, 2002). This reveals the competition for resources that must be existing among the not for profits; competing for diminishing sources of resources. However, the field of social entrepreneurship is still in its exciting stage of infancy, and still currently lacks awareness. It is short on theory and definition but high on motivation and passion(Roberts & Woods, 2005). As argued by Boschee & McClurg, (2003), twenty years ago the idea of nonprofits acting in an entrepreneurial manner was anathema to most people in the sector: The idea of merging mission and money filled them with distaste. The nonprofit sector has traditionally been driven by a “dependency” model, relying primarily on philanthropy, voluntarism and government subsidy, with earned income a distant fourth. But social entrepreneurs have turned that formula on its head (Boschee & McClurg, 2003). The approach of SE to resource mobilization is continually becoming popular and the way to go for not for profits organizations. British Prime Minister Tony Blair praises the emerging tide of “social entrepreneurs” that is changing the face of England’s voluntary sector. The traditional donors are changing and are reducing in number, while those who require their support are increasing thus the donations are becoming more competitive. NGOs and any other charitable organizations are finding it difficult to get sufficient resources to fulfill their missions. SE is an approach which the awake are embracing to ensure continuity of their social/charity initiatives.

Unless a nonprofit organization is generating earned revenue from its activities, it is not acting in an entrepreneurial manner. It may be doing good and wonderful things, creating new and vibrant programs: But it is just innovative; not entrepreneurial. Operating costs for not-for profits have soared, resources available from traditional sources have flattened, the number of nonprofits competing for grants and subsidies has more than tripled, and the number of people in need has escalated beyond our most troubling nightmares (Boschee & McClurg, 2003). For these organizations to sustain themselves; income generation would be the way to go and some have so done. As argued by Martin & Osberg, (2007), a social entrepreneur aims for value in the form of large-scale, transformational benefit that accrues either to a significant segment of society or to society at large. Martin & Osberg, (2007) add that unless an action is designed to achieve large scale or is so compelling as to launch legions of imitators and replicators, it is not likely to lead to a new superior equilibrium and thus it doesn’t qualify to be SE. Resources are scarce and social needs are great. Everyone wants to explore new avenues for generating resources and earned income seems promising(Dees, 2003).

Bangladesh Rural Advancement Committee (BRAC) established in 1972 by Fazel Abed is a great example of a SE(Alvord, Brown, & Letts, 2004). BRAC is a Bangladeshi corporate

executive, in the aftermath of the Independence War and has provided a range of services; rural capacity-building, education, health services, micro-credit—to 2.6 million rural people and it has been exceptionally successful in developing projects that contribute to its own financial sustainability. One World Health (IOWH) was able to raise the necessary capital to set up operations and ensure other critical resources such as compounds and expert time after receiving donations totaling 25 million US dollars from the Bill and Melinda Gates Foundation (Mair & Marti, 2006). US based Acumen Fund, a non-profit venture fund uses entrepreneurial approaches to solve the problems of global poverty (Acumen, 2007). Acumen offers services such as water, healthcare, and housing” to help improve the lives of the poor (Zahra, et al., 2009).

The Foundation for the Promotion and Development of Microenterprises (PRODEM) has provided business to micro, small, and medium enterprises in, Bolivia. (K. Alter, 2007). The Grameen Bank (GB) established in 1976 by Muhammed Yunus, a Bangladeshi economic professor, and his colleagues convinced the world that poor borrowers are good credit risks, they demonstrated that landless women in mutually accountable borrower groups achieved very high repayment rates. Today, over 90 percent of the millions of microcredit borrowers around the world are women (Alvord et al., 2004). The business model that Muhammad Yunus developed for Grameen bank fits perfectly with a for profit scheme (Mair & Marti, 2006). K. Alter, (2007) gives us another example of a successful SE - Cepicafé a new generation of social enterprises that are using market-based tools and business practices to help marginal Latin American rural communities improve living standards. A study by Short, et al., (2009) reveal that the context in which social ventures operate has a direct bearing on their ability to meet the dual mission of creating social value while also creating a business model that is financially stable and/or self-sustaining. Innovation is a key theme in social entrepreneurship research, but more effort is needed to build social entrepreneurship related innovation theory

### **Rationale for the paper**

In contrast to for-profit organizations, not-for-profits depend on diverse sets of funding sources and streams of funding to sustain their operations. Most nonprofits receive funds from multiple sources (e.g., government, foundations, and private donors) and streams (e.g., grants, contracts, membership fees). Substantial cutbacks in both government and foundational funds suggest that nonprofits should develop or revisit their fundraising plans to support financial sustainability (Padilla, et al., 2012). This paper reviews the strategic role Social Entrepreneurship to the creation of social impact and sustainability by Not-for-Profit Organizations. Quite significant success and recognition has been identified with SE; recently,

the Manhattan Institute recognized the Houston-based Prison Entrepreneurship Program for its work providing prisoners with the skills needed to start new ventures upon their release (Certo & Miller, 2008). Ibrahim Abouleish, in the recent past received the Alternative Nobel Prize for his Sekem initiative while e-Bay founder Jeff Skoll in 2004 donated 4.4 million pounds to set up a social entrepreneurship research center (Seelos & Mair, 2005). Alvord et al., (2004) emphasizes that, solutions to social problems, such as sustainable alleviation of the constellation of health, education, economic, political and cultural problems associated with long-term poverty, often demand fundamental transformations in the political, economic, and social systems that underpin current stable states. Certo & Miller, (2008) gives us a case in the World Economic Forum where Mr. Gates championed a new form of capitalism which would have a twin mission: making profits and also improving lives for those who don't fully benefit from market forces. Just as the fact that there are no 100% chance of success in conventional entrepreneurship, cases of SE failure are there. This are mainly attributed to mainly knowledge and experience in both business and social work, lack of total dedication, capital base, Acceptance of the venture in the public discourse, previous managerial experience standing the market test among others (Sharir & Lerner, 2006). There are also concerns with some researchers who remain unconvinced about the potential and legitimacy of social entrepreneurship as a domain of inquiry in its own right. This is evidenced by lack of large-scale databases and the use of quantitative data analysis techniques by social entrepreneurship scholars(Dacin, et al., 2011).

## **THEORETICAL FOUNDATION**

Social Entrepreneurship just like the conventional entrepreneurship has a fairly strong theoretical backing. This section picks on some of the theories under which SE operates. These include; the Framing theory of social entrepreneurship, the theory of resource base, behavioral theory of the firm, the theory of sustainability, the change theory, and the capability-based theory

### **Change Theory**

To change the world; you have to treat it as a business (Roberts and Woods, 2005). Social entrepreneurship does not just aim at generating a profit; it aims to address a social need not a commercial one. SE is the construction, evaluation and pursuit of opportunities for social change'. Hence the intended impact is – social change. The attributes and talents of social and conventional entrepreneurs are similar; both are innovative and possess high amounts of energy, tenacity and resilience and both are driven by a vision to which they remain passionately committed; they differ in their motivation and purpose. Not for profit organizations

have to operate with a business mindset and thus SE would be the way to go for them. There has to be a paradigm shift for this to happen and thus the change theory supports this move. According to Mair and Noboa, (2006), SE involves innovative approaches to address issues in the domains of education, environment, fair trade, health and human rights and is widely regarded as an important building block to sustainable development of countries. These are social initiatives which traditionally have been handled using resources from donors who donate finances in form of grants or in kind contributions. Elkington & Hartigan, (2008) argue that social entrepreneurs may launch ventures to make profits, create wealth, or balance social and economic imperatives. Numerous social and environmental entrepreneurs are already busy developing “real world solutions.” In the process, they are creating inventive new business models operating on the remotest edges of the modern economy. Thus some traditionalists consider them “unreasonable”, Social Entrepreneurs strive for adequate funding, but are willing to institute their ideas and methods without it. This change of mindset can bring the required sustainability enabled by strategic application of social entrepreneurship by Not-for-Profit organizations.

### **Theory of resource base**

Resource-Based View (RBV), is a model of how firms compete, which is unique to the field of strategic management (Peteraf, 1993). The resource-based theory stems from the principle that the source of firms competitive advantage lies in their internal resources, as opposed to their positioning in the external environment (Raduanet al., 2009). That is rather than simply evaluating environmental opportunities and threats in conducting business, competitive advantage depends on the unique resources and capabilities that a firm possesses (Barney, 1995). RBV asserts that firms gain and sustain competitive advantages by deploying valuable resources and capabilities that are inelastic in supply (Wernerfelt, 1984). Many donors who fund social work do allow long term development of resources especially for the organizations that receive the donations. SE therefore would enable NGOs generate resources and for that matter productive resources like buildings, businesses among other which will enable them to generate more and more income for social work which are quite valuable in creating sustainability of the social mission of NFPs.

According to (Boschee and McClurg, 2003), only earned income will ever allow a nonprofit to become sustainable or self-sufficient. This depicts a stable financial position; RBV posits that competitive advantage can be sustained only if the capabilities creating the advantage are supported by resources(Hart, 1995). Not-for-Profit Organizations cannot depend on donations to build resources and capabilities; the reason being that donors cannot provide

resources permanently and they will only fund specific initiatives geared towards service provision to particular vulnerable target beneficiaries. It is therefore paramount for NPOs to adopt strategies that bring sustainability into the process of resources' acquisition. SE is therefore the best strategic moves an NPO can take in building their resource base and hence a source of their continuity and sustainability of their initiatives.

### **The Capability-Based Model**

This paper uses the Capability-Based Model of Innovation and Sustained Competitive Advantage in Not-for-Profit Organizations as its conceptual framework with Sustained competitive advantage depicting social impact. There are areas of capability that NPOs need to build and or strengthen to enable them have a smooth paradigm shift from conventional resources mobilization strategies to social entrepreneurship. In order to overcome potential rigidities of organizational capability building in strategic management, the idea of dynamic capabilities is paramount (Schreyögg and Kliesch-Eberl, 2007). As discussed by Bufojler, (1992) if a task needs to be performed, a set of active objects must be found which are able to do so. If all roles are found out which are capable to operate the required task and if all the active objects are found out capable to play one or more of the roles, the maximum set of active objects is found. Building capabilities should thus be a priority to ensure efficiency and effectiveness in the enterprise/s.

As argued by Schreyögg and Kliesch-Eberl (2007), in case of superior performance and unique historical development, capabilities are assumed to build the foundation for sustainable competitive advantage. An example is a theoretical model by Weerawardena & Sullivan-Mort, (2001) for the examination of NFP competitive advantage process. The model is comprised of four sections; NFP managerial characteristics, organizational learning processes, organizational innovation, and competitive advantage. They present a novel set of theoretical relationships that emanate from the "duality" of the emerging NPO organization, which is to pursue competitive strategies whilst retaining the social mission, a primary organizational objective. The duality forces socially enable entrepreneurial NPOs to engage in both social value creation activities and commercial value creation activities. The commercial value creation activities are primarily undertaken to generate resources to finance social value creation activities. Lichtenthaler & Lichtenthaler, (2009) identified the following six 'knowledge capacities' as a firm's critical capabilities of managing internal and external knowledge in open innovation processes: inventive, absorptive, transformative, connective, innovative, and adsorptive capacity. 'Knowledge management capacity' is a dynamic capability, which reconfigures and realigns the knowledge capacities. The Capability-Based model suggests that social entrepreneurial firms

pursue innovative strategies to create, superior social value to the target market. In this process they build and nurture distinctive learning capabilities (Weerawardena & Sullivan-Mort, 2001).

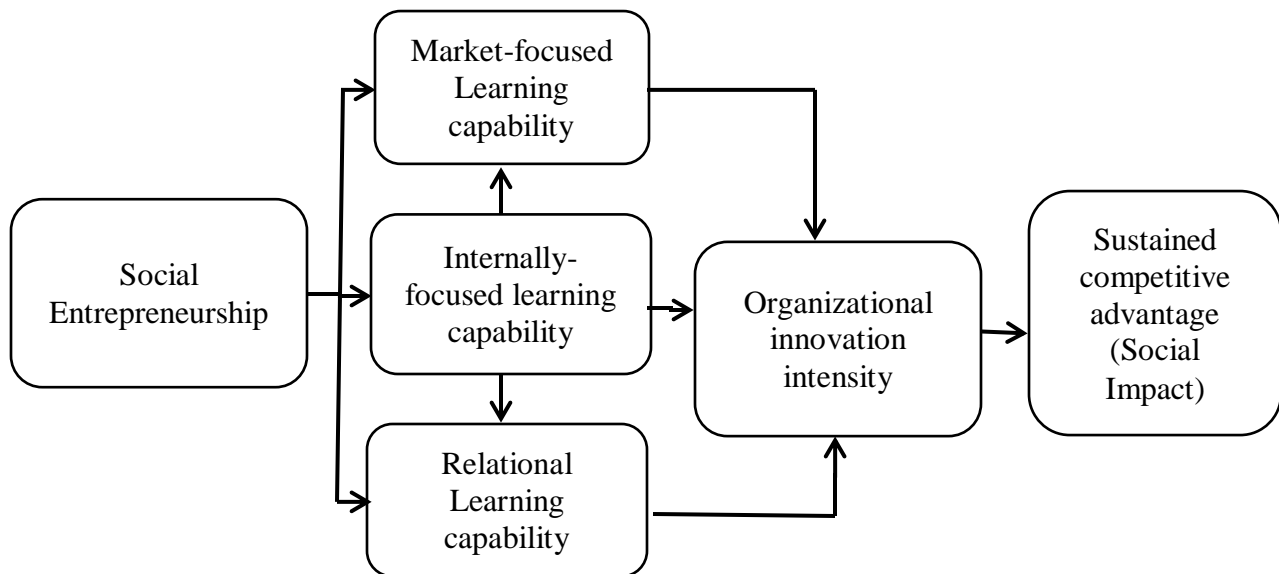


Figure 1: A Capability-Based Model of Innovation and Sustained Competitive Advantage in Not-for-Profit Organizations

Source; Weerawardena & Sullivan-Mort, (2001)

### Market-focused Learning capability

As argued by Weerawardena, (2003), firm's capacity to learn from its market is a source of both innovation and competitive advantage. There is evidence to suggest that both technological and non-technological innovations contribute to competitive advantage reflecting the need for a broader conceptualization of the innovation construct. Competitive positioning forms the core of modern marketing theory and practice. Competitive positioning is the combination of choice of target market (where the firm will compete) and competitive advantage (how the firm will compete) (Hooley et al., 2001). The rapid expansion and the increased commercialization of the elderly consumers market have forced not-for-profit organizations(NFPs) to adopt a competitive posture in their operations and to pursue innovative ways of delivering superior aged care to the target market (Weerawardena & Sullivan-Mort, 2001). Market-focused learning focuses on the capacity of the firm to learn from markets or the marketplace (Weerawardena and O' Cass, 2004).

### Internally-focused learning capability

Knowledge source is defined as the extent to which an organization prefers to develop new knowledge internally versus the extent to which it is more likely to seek inspiration in ideas developed externally. Product-process focus refers to a preference for the accumulation of



knowledge related to product and service outcomes versus a preference to invest in knowledge about basic processes that support products. Organizational learning may be increased by building on existing capabilities or developing new ones. The latter involves a change in culture, the former involves improving current capabilities (DiBella, et al., 1996). Because capabilities are deeply embedded within the fabric of the organization, they can be hard for the management to identify. One way to overcome this problem is to create detailed maps of the sets of process activities in which the capabilities are employed. These maps usually show that capabilities and their defining processes span several functions and several organizational levels and involve extensive communication (Day, 1994). Austin et al. (2006) define social entrepreneurship as innovative, social value creating activity that can occur within or across the nonprofit, business, or government sectors; internally focused learning and innovation are thus vital ingredients.

### **Relational Learning capability**

Social capital is an important concept for multinational firms. Firms operating in global markets rarely have adequate resources to compete effectively in global markets; they access the needed resources through formal and informal relationships with other firms. The development and management of social capital has become of critical importance for competitive advantage in global markets (Hitt, et al., 2002). Although in-house learning efforts may be necessary, firms have to access external knowledge sources to modify their internal knowledge base (Weerawardena & Sullivan-Mort, 2001). Alliances generate competitive advantages only as they move the relationship away from the attributes of market relationships (Dyer and Singh, 1998).

### **Organizational innovation intensity**

Social entrepreneurship can involve pattern-breaking ideas about not only what gets done, but also how it happens. This moves the field toward defining entrepreneurship in a broader way that includes organizational and administrative reforms, as well as “using old stuff in new ways. Social entrepreneurship is more about the idea than the process (Light, 2006). The challenges of finding effective and sustainable solutions to many social problems are substantial, and solutions may require many of the ingredients associated with successful business innovation (Noruzi et al., 2010).

### **Sustained competitive advantage**

A firm is said to have a sustained competitive advantage when it is implementing a value creating strategy not simultaneously being implemented by any current or potential competitors

and when other firms are unable to duplicate the benefits of this strategy (Barney, 1991). Market-based organizational learning has been identified as an important source of sustainable competitive advantage (Vorhies and Morgan, 2005). The fact that SEs are socially oriented businesses, market competition will not spare them. Managers will have to appreciate the crucial role that strategic leadership plays in developing market-driven capabilities and shaping the firm's competitive position and SCA (Weerawardena and O 'Cass, 2004).

## **EMPIRICAL EVIDENCE**

Yunus, (2007), alludes to the fact that things are going wrong not because of market failures. The problem is much deeper than that; he says that mainstream free-market theory suffers from a conceptualization failure, a failure to capture the essence of what it is to be human. Some of the most striking social entrepreneurship innovations originate from developing countries and involve development of new business models that address basic human needs (Mair & Marti, 2006). In the face of diminishing public funding (Peredo and McLean, 2006), the role of SE is evidenced by growth in the non-profits; it increased 31% between 1987 and 1997 to 1.2 million, exceeding the 26% rate of new business formation (Almanac, 2002). The field of social entrepreneurship is in its exciting stage of infancy, (Roberts & Woods, 2005). Social entrepreneurs have played a vital role in ameliorating adverse social conditions, especially in underdeveloped and emerging economies (Prahalad, 2005). Nganga, (2013) gives a reflection on how Community Development Finance institutions (CDFI) are highly utilized by CBOs and FBOs. He concludes that there is a relationship between SE and sustainability.

A case by Alvord et al., (2004) talks about the Bangladesh Rural Advancement Committee (BRAC) over the past 30 years, has focused on breaking the cycle of poverty in Bangladesh and this is getting accomplished. Starting as a relief and resettlement organization, BRAC pioneered the development of comprehensive, locally-organized approaches to rural development and poverty alleviation. It has provided; rural capacity-building, education, health services, micro-credit—to 2.6 million rural people, and it has been exceptionally successful in developing projects that contribute to its own financial sustainability. The committee operates in 60,000 of the 86,000 villages in the country, organizing the poor for self-help and building local capacities for income generation, health, and education. Emphasis on women and oppressed groups may fundamentally change local attitudes and culture for landless poor as well as economic circumstances

In its first four years, World Health (IOWH) received donations totaling 25 million US dollars from the Bill and Melinda Gates Foundation; it received royalty-free licenses for compounds from Biotech companies and several universities; and it was able to recruit a large

number of highly experienced volunteers for various tasks. The specific business model that Dr. Hale (the founder) chose for IOWH and the particular needs it targets clearly favor the adoption of a not-for-profit operating scheme (Mair & Marti, 2006). In 2001, Novogratz founded Acumen Fund, “a non-profit venture fund that uses entrepreneurial approaches to solve the problems of global poverty (Acumen, 2007).” The US based fund targets its philanthropic “investments” to entrepreneurs and organizations that are “focused on delivering critical, affordable goods and services such as water, healthcare, and housing” to help improve the lives of the poor. Acumen's “few big bets” receive support mostly in the form of loans and equity investments that are supplemented by providing management assistance and connections to broader resource networks (Zahra et al., 2009).

The Foundation for the Promotion and Development of Microenterprises (PRODEM) has through its two financial enterprises, reached more than half a million families. Its savvy investments have yielded a tremendous growth in its asset portfolio, which has increased from an initial investment of US\$300,000 14 years ago to approximately US\$16 million dollars. To date PRODEM has invested US\$6.6 million in microfinance and US\$1.7 million in business ventures financing small and medium enterprises. PRODEM's microfinance activities have enabled the poor to accumulate assets, either by savings mobilization or the productive investment of loan capital, so that they can increase their standard of living and improve their quality of life. (K. Alter, 2007). The Grameen Bank (GB) established in 1976 by Muhammed Yunus, a Bangladeshi economic professor, and his colleagues. Convinced that poor borrowers might be good credit risks, they demonstrated that landless women in mutually accountable borrower groups achieved very high repayment rates (Jain, 1996). The Grameen Bank forms small groups of five people to provide mutual, morally binding group guarantees in lieu of the collateral. Participants have proved to be reliable borrowers and astute entrepreneurs, raising their status, lessening their dependency on their husbands and improving their homes and the nutrition of their children (Yunus, 2007). These borrowers developed the social development guidelines known as the “Sixteen Decisions”, the basis of village group meetings throughout the Grameen system. Today, over 90 percent of the millions of microcredit borrowers around the world are women (Alvord et al., 2004). The business model that Muhammad Yunus developed for Grameen bank fits perfectly with a for profit scheme (Mair & Marti, 2006).

Alter, (2007) gives us another example of a successful SE; Cepicafé is a great example of a new generation of social enterprises that are using market-based tools and business practices to help marginal Latin American rural communities improve living standards. This association of small coffee-producer organizations in the Piura Mountains 85 of Peru promotes “fair trade,” trying to secure growers higher prices for their coffee by helping them establish

more direct and equitable links with wholesalers, retailers, and consumers (Dahlman, 2008). Copicafé has 51 grassroots member organizations and has a membership of approximately 2,200 small-scale coffee producers, 18% women. Copicafé achieved a net profit of US\$100,000 in 2002. Copicafé has been selling its members' coffee at higher prices than they could get otherwise, most of the time above the prices quoted in the New York Stock Exchange (Alter, 2003).

A study by Short et al., (2009) found out that the context in which social ventures operate has a direct bearing on their ability to meet the dual mission of creating social value while also creating a business model that is financially stable and/or self-sustaining. Innovation is a key theme in social entrepreneurship research, but more effort is needed to build social entrepreneurship related innovation theory

## **DISCUSSION AND SYNTHESIS**

The change theory on one hand supports SE, when Roberts and Woods, (2005) say that; to change the world; you have to treat it as a business, it is true to SE. NPOs have to act as a business to bring the required social change in the communities they serve. There must be value for money in whatever is done for it to be a competitive advantage and hence become a strategic position for the organization. Generating socioeconomic impact through donations without inculcating an entrepreneurial culture is not sustainable. Social entrepreneurship should be a key player on both the donor and the beneficiary side because most donations are one of or immediate needs' specific. As quoted by Neal, (2006), Buckminster Fuller said that; "if you want to change something, develop something new that makes the existing obsolete," organizations that just distribute aid to poverty or drought stricken communities leave behind very little or no impact at all. They just enhance short-lived survival through access to resources and services. SE will enable a nonprofit to become sustainable or self-sustaining hence their social mission and thus their impact. It is therefore indispensable that NPOs will have to change from recipients of aid donations and become generators of aid through SE; this calls for change. The theory however talks about what (the change) and the how to.

To generate resources, you need resources and thus the theory of resource base gives the vision of the desired end to NPOs who wish to become SEs. With a good resource base SEs will be able to invest ore and make more income for their social missions. However, this theory does not discuss on how to build the resources in the first place. SE will attract donors with entrepreneurial mindset to invest in them in support of the social missions of the organization but most of them will not lift an organization from the scratch. You must have some resources as an NPO to begin the journey towards SE and then donors will follow. It is not easy

for NPOs to access credit facilities since they do not have constant incomes and thus some are left in a dilemma on how to change and by what means (resources). The capability based model gives a very good approach to gaining capability for NPOs venturing in the new field of for-profit with an aim of getting resources to sustain their social mission. This model gives a clear path to gaining a sustained competitive advantage (Social Impact). Similarly, the resource base theory emphasizes on building resources as well. The change theory actually speaks to both the theory of resource base and the capability base model. To embrace SE is to change both to real business for social impact and from business as usual by making profits for social impact. Gaining capability in any initiative increases the competitive advantage among peer organization/competitors. Since SE is expected to perform efficiently and depict value for money just like other forms of entrepreneurship, a lot of learning and strategic management are required. The capability based model of SE thus fits well for any form of SE. The model however lacks guidance on how to build capabilities leading to income generation and thus profits. For NPOs to transform from full time consumers of donations/resources to generating resources themselves, they need a major shift on investing and thus making use of the fruit rather than the seed.

## **CONCLUSION**

Social Entrepreneurship is a paradigm shift for NPOs from traditional ways of fundraising for social mission to engaging in entrepreneurial initiatives to raise resources for the same mission. This has been necessitated by the increasing scarcity and diminishing of donor funding. The phenomenon is attracting more investors/donors due to its potential for sustainability. The entrepreneurial approach also has a great potential of creating growth and sustainability to the target beneficiaries of the social mission. This happens when the aid given is looked at with a business eye with the intention of creating more value to the beneficiary by transferring to them the entrepreneurial model. The theoretical analysis show that SE is the approach to sustain the social mission in the not for profit sector. From the resource based view, those organizations with resources will have an advantage of attracting even investors or partners in the social mission. It will therefore be more sustainable for NPOs to not only receive and expense recourses but to generate and sustain generated resources for competitive advantage and sustainability in their mission. There is more assurance in the continuity of the work of not for profit organizations through the sustainability created by investing in social enterprises.

It is evident that Social entrepreneurship is responsive to and constrained by the need for social mission and organizational sustainability and that Social entrepreneurship strives to achieve social value creation through the display of innovativeness. Building internal resources

include human resources will give SEs competitive advantage for not only generating resources but for also attracting potential partners in fulfilling the social mission.

**PROPOSITIONS**

There is little theoretical backing on SE sustainability and this makes SE remain at infancy stages. The change theory is not very specific on how to move from donor dependency to entrepreneurship for social mission and how to sustain it. The resource base theory talks about acquiring and accumulation resources but it does not describe how resources can be sustained for competitive advantage and sustainability of SEs. The Capability-Based Model leads to development of sustained competitive advantage but it doesn't say anything on sustaining Social Enterprises. A Social Enterprise sustainability model is thus suggested for testing by researchers.

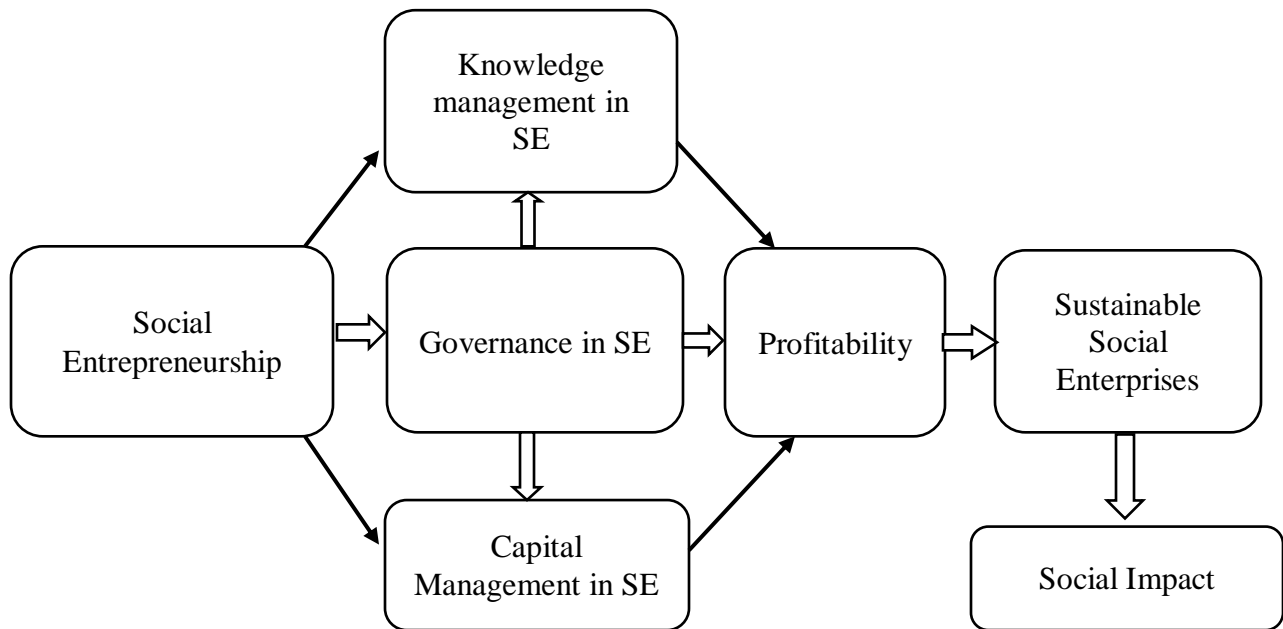


Figure 2: A Social Enterprise Sustainability Model

**Knowledge management in Social Entrepreneurship**

Knowledge as the key resource, not labor, raw material or capital, changes production functions in organizations significantly(Maier, 2007). Knowledge being a resource, efficient knowledge management (KM) will give the social enterprise a competitive advantage in competing effectively in the business world. Being profit driven and guided social impact, KM will also enhance efficiency in use of resources for more sustainable social impact. For instance,

production of good reports enhances efficiency (Biddle, et al. 2009). Training and retaining employees is paramount in knowledge management. When employees leave they leave with a lot of tacit knowledge; knowledge they can't hand over at exit. As part of knowledge management therefore, employee retention is a key strategy to embraced by not only by SEs but also by conventional entrepreneurs.

### **Governance in SE**

Social Entrepreneurship being very different from the donor-led social work, governance should play a critical role and it could be inevitable to have separate governance between the SE and the social work. This is because those who provide governance in NPOs could be lacking when it comes to profit based resource mobilization. A social enterprise is, first and foremost, a business (Nyssens, 2007), social enterprises form a distinct sector in their own right (Low, 2006). Difficulties are usually experienced during recruiting or electing people with the right skills and experience onto boards, particularly people with financial, business and strategic skills (Spear, et al., 2007). Emphasis should therefore be laid on the governance of SEs to make it a standalone or a hybrid of for-profit stewardship and non-profit democratic models(Low, 2006).

### **Capital Management in SE**

A social enterprise is a business with primarily social objectives (Borzaga & Defourny, 2004). Like any other business, SEs require capital and the capital should be carefully and with utmost integrity managed for sustainability. Social enterprises should develop capacity to strengthen financial discipline and manage finances (Alter, 2003). Human resources are crucial to organizational success, and may offer the best return on investment for sustainable competitive advantage. Therefore, high performance work practices, such as 360-degree feedback, pay-for-performance, self-managed teams, employee empowerment, and other human-oriented initiatives should be embraced in social enterprises (Luthans & Youssef, 2004). Social Enterprises must access capital and manage it properly for them to make profits which will in turn be used for social impact. NPOs traditionally are used to spending all the resources they get on social mission and thus further research is required on how they can access and manage capital and manage it effectively through social entrepreneurship.

### **Profitability**

Knowledge management, good governance and good capital management will lead to profitability in Social Entrepreneurship. For Social enterprises to be successful they should be making profits for it is the profits that are supposed to be used for social mission and not the

capital (grants). This being a new territory this should be a subject for NPOs and researchers to enable NPOs separate between capital/grants and profits.

### **Sustainable Social Enterprises**

Sustainability of SEs will stem from profitability which is an outcome of Knowledge management, good governance and good capital management. SE will need to sharpen their capital sourcing skills and invest in good governance and management practices to have and sustain profitability which in turn will lead to sustainable social enterprises and hence social impact.

### **Social Impact**

Social impact is want NPOs through social entrepreneurship. Sustained social impact will be as a result of continuous capacity building and support to target vulnerable populations. This will not be possible without consistent profitability brought about by access and good management of capital, good governance and knowledge management. Literature reviewed talks more of the what and not the how on SE and thus this is a ripe area of research. It should not be assumed that SEs will automatically fit into conventional business models. The model suggested in this paper is a great opportunity to set apart and shape SE from traditional NPO approach to social impact as well as conventional entrepreneurship.

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