

Social enterprise and sustainability in the nonprofit sector: A theoretically grounded approach

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Abstract

The objective of this research is to develop a theoretically grounded strategy for the financial sustainability of small-to-medium nonprofit organisations (NPOs) engaged in social enterprise (SE) strategies in the South Asia region, specifically India, Bangladesh and Sri Lanka. Despite the significant growth in the nonprofit sector in this region, the literature reveals a paucity of theoretical and empirical research on how such organisations are adopting SE models. The aim of this research is to bridge this gap in the literature and to contribute to formulating practical solutions to achieving financial sustainability across the spectrum of the target organisations, with due consideration of their specific regional and national socio-economic context.

The research methodology is an adaptation of Strauss and Corbin's (1998) pragmatic approach to grounded theory method (GTM). *Performance* has been identified as the core category. Performance is multi-dimensional and consequently each organisation must develop its own metrics based on strategy and then focus on performance-related processes. This core category or concept, working as a central theme and logically integrated with other categories and subcategories, has then been used as the foundation for the development of a *performance-based management action framework to achieve financial sustainability* for small-to-medium NPOs. The theory is presented as a five-phase management action framework and, as such, is in consonance with both the academic and practitioner perspectives on useful theory.

The substantive grounded theory of *performance for financial sustainability* developed in this research is premised on the active leadership of the executive management team (individual or collective) in formulating performance strategies. The performance strategies provide a framework for decision-making. These strategies are based on management cognition of the contextual factors – external, operational and social – influencing performance and of the stimuli that require interpretation in order to shape managerial action. This management cognition is key to establishing accountability and legitimacy both internally and externally, and ultimately for both short- and long-term financial viability of the organisation.

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I am also indebted to the research participants, who took valuable time out from pursuing their social mission so as to contribute to the research. The initial motivation for undertaking the PhD was my own role leading a small nonprofit organisation working in international development. The time spent with the research participants during that field work highlighted the need for academic research to integrate the practitioner perspective so that the outcome is of practical value. I hope that I have achieved this and, at the same time, given a voice to these committed and exemplary individuals and organisations from Sri Lanka, India and Bangladesh.

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Last but not least, I acknowledge with the utmost gratitude, the encouragement, support and understanding that Donna provided during the four and a half years duration of this project, in particular during 2017, a very challenging year on many fronts.

Declaration

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Abbreviations

ABS	Australian Bureau of Statistics
ADB	Asian Development Bank
BRAC	Bangladesh Rural Advancement Committee
CAQDAS	computer assisted qualitative data analysis software
CCD	Centre for Collective Development
CCM	constant comparison method
CMS	Catalyst Management Services
CSR	corporate social responsibility
EMES	Emergence des Entreprises Sociales en Europe
EU	European Union
GDP	gross domestic product
GFC	global financial crisis
GTM	grounded theory method
HH	A Hundred Hands
IS	information systems
KHMS	Kodaikanal Health and Medical Services
MISE	Macro-Institutional Social Enterprise [framework]
MSME	micro, small and medium enterprise
MSMSE	micro, small and medium social enterprise
NGO	non-government organisation
NHMRC	National Health and Medical Research Council
NPO	nonprofit organisation
ODA	overseas development assistance
OECD	Organisation for Economic Co-operation and Development
PCI	problem-centred interview
PGI	Philanthropic Giving Index
PHCC	Palni Hills Conservation Council
PPP	purchasing power parity
PROWESS	Program for Women’s Empowerment and Self Sustenance
SAARC	South Asian Association for Regional Cooperation
SCA	sustainable competitive advantage
SE	social enterprise
SHG	self-help group
SL-NPO	Sri Lankan non-profit organisation
SME	small-to-medium enterprise
SMSE	small-to-medium social enterprise
S-O-R	stimulus–organism–response
UK	United Kingdom
UNIDO	United Nations Industrial Development Organization
US	United States
USA	United States of America
YMCA	Young Men’s Christian Association

1 Chapter 1 – Introduction

1.1 Introduction

One of the most significant challenges facing the nonprofit sector globally is how to achieve financial sustainability so as to manage and sustain projects for extended periods (Non-profit Finance Fund, 2015; Besel et al., 2011). This is a challenging task given the complex, competitive and unpredictable economic environments in which the traditional sources of funding (donations, philanthropy, membership, grants and aid) are dwindling (Raymond, 2013, pp. 550-726; McLean & Brouwer, 2012; Teka & Magezi, 2008). A survey by the Bank of America establishes that the top challenge confronting the nonprofit sector in the United States of America (USA) is achieving long-term financial sustainability (Non-profit Finance Fund, 2014). A Rand Corporation research paper which reviewed the literature on the financial sustainability of nonprofits identifies a major risk in relying too heavily on external sources of funds (Sontag-Padilla et al., 2012). While these findings represent current perspectives, the quest for financial sustainability has been and continues to be a perennial challenge for the nonprofit sector (Raymond, 2013, pp. 559-711). In response, and among other strategies, both the for-profit and nonprofit sectors have adopted a social enterprise (SE) hybrid business model over the last two decades as a possible pathway to financial sustainability (Raymond, 2013, pp. 1775-2052; Perrini, 2006, pp. 1-25). For-profits have also added triple-bottom-line strategies. Perrini (2006) cites increasing awareness of the global imbalance in the distribution of wealth and wellbeing as another factor in the emergence of SEs. Woodman (2015) argues that SEs are organisations that can mitigate the effects of income inequality, such as high crime rates, low life expectancy and civil conflict, which in turn feed into further financial instability and increase the income inequality gap, particularly in developing countries.

The findings from the above studies, although based on the US nonprofit sector, are similarly applicable to the nonprofit sector in the developing world, which relies to a large extent on funding streams from the developed world (Organisation for Economic Co-operation and Development [OECD], 2014). In particular, for small and medium-sized nonprofit organisations

(NPOs),¹ which dominate the nonprofit landscape in the developing world,² the diminishing of funds is a threat to their survival as organisations (Francois, 2015, pp. 18-20). As a response to these existential challenges – that is, threats to their continued operation – NPOs as well as socially responsible for-profits are adopting hybrid models of SE (Allen et al., 2012) that seek to combine nonprofit and for-profit strategies under the overarching, albeit contested, term *social enterprise*.

While the phenomenon of SE and allied definitions have been the subject of extensive research by scholars, academics, practitioners and policymakers from around the world since the early 1990s, there is no unanimity of the definition or the cognate concepts. There is a plethora of definitions and concepts depending on the political, cultural, geographical and organisational contexts and on the theoretical perspectives of the authors (Kerlin, 2013; Bacq & Janssen, 2011; Kerlin, 2010; Lyon & Sepulveda, 2009). The same applies to typologies of SE (Kaplan, 2013; Mair et al., 2012; Defourny & Nyssens, 2010; Brouard et al., 2008; Alter, 2007). These typologies have evolved over the years and depend on the particular dimensional framework, such as legal structures, institutional contexts and sources of capital. Alter (2007) utilises the dimensions of motive, accountability and use of income to develop a typology and identifies two groups – for-profits and nonprofits. Each group adopts different sustainability strategies (Alter, 2003, pp. 13-24).

The objective of this research is to develop a theoretically grounded strategy for the financial sustainability of small-to-medium NPOs engaged in SE strategies in the South Asian region, specifically India, Bangladesh and Sri Lanka. As discussed below, there is a paucity of empirical and theoretical work relating to this region and, consequently, an unanswered question of whether models from other regions and contexts are transferable. This question is significant because the origins of the non-profit and SE sectors vary in particular in terms of the macro-institutional context (Kerlin, 2013). The grounded theory generated by this qualitative research

¹ There is no universally agreed definition of small-to-medium enterprises (SMEs). Nor are there definitions of small-to-medium NPOs. While there are variations in definitions of SMEs between regions (European Union [EU], United Kingdom [UK], Australia), in general the criteria of number of employees and turnover/investment determine whether a company is a micro, small or medium enterprise. The same criteria are applied in defining SMEs in the nonprofit sector. In this research, an SME is defined as an organisation with a maximum investment of US\$2.5M and a maximum of 250 employees. This definition is based on the classification of social business by the Indian Ministry of Micro, Small and Medium Enterprises (GIZ, 2012). UNIDO (2004) also offers a classification of MSMEs based on the number of employees.

² It has been estimated that the total number of international NGOs is over 40,000. Numbers for domestic/national-based NGOs are higher e.g. India had approximately 1.5 million as of 2009 (ADB, 2009) and possibly as many as 3 million as of 2016 (Anand, 2015); and Bangladesh had 26,000 as of 2008 (ADB, 2008). These statistics capture all civil society organisations working in the social sector including places of worship.

will contribute to formulating practical solutions to achieving financial sustainability across the spectrum of small-to-medium nonprofits and SEs.

The following broad working definitions and typology for the central elements of the research have been adopted: a *social enterprise* is an organisation “seeking business solutions to social problems” (Thompson & Doherty, 2006, p. 362); *financial sustainability* is the ability of an SE organisation to generate all or a significant part of the revenue it needs in order to achieve its social mission consistent with its system of values (Alter, 2003).

While these definitions encompass a broad typology and spectrum of organisations, this research is focused specifically on small-to-medium nonprofits and SEs that belong to the social value creation group in the typology illustrated in Figure 1.1 below. In this research the term *social capital*, as in organisational research, refers to the networks and norms that facilitate a group of people in collective engagement (Windasari et al., 2017, p. 1654). A shared vision and associated trust components are part of the norms that enable social value creation for the organisations in the typology below (Lester, 2013; Tsai & Ghoshal, 1998).

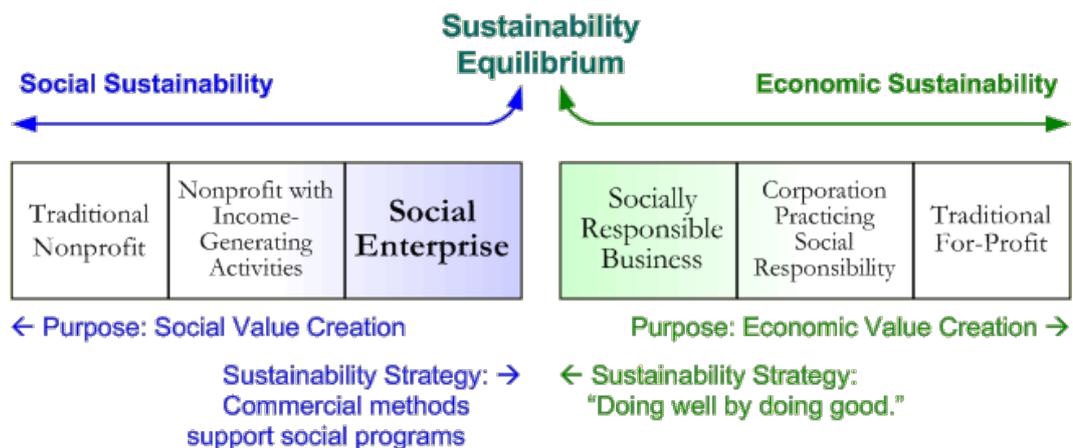


Figure 1.1 – Sustainability equilibrium (Alter, 2007)

This chapter introduces the research by providing:

- first, the background to the emergence of the SE model in the nonprofit sector
- second, the objective and purpose of the research, in particular the rationale for focusing on South Asia as a relatively unexplored region in the SE literature
- third, the significance of the research in that it aims to generate new grounded theory, based on South Asia as distinct from other and more developed countries and regions, and to provide a guide to practical solutions for practitioners

- fourth, the researcher’s personal motivation for the project, coming from his own experience in the nonprofit sector
- fifth, the research questions and conceptual framework of the themes explored in the research, drawing on the extant literature
- sixth, the actual contribution of the research, in terms of the theory generated, in response to the research questions
- seventh, the research design, which adopts a pragmatic paradigm and grounded theory method (GTM); and
- finally, key assumptions, limitations and scope, and a summary of the following chapters.

1.2 Background

A broad, global perspective on the problem of financial sustainability helps to focus on the key issues and questions for the research. The nonprofit sector and SEs, in both the developed and developing worlds, are largely reliant on financial resources from governments, the corporate sector, philanthropy and other donations in order to sustain and implement their social programs. In India, for example, an Indian Government report on civil society NPOs (National Accounts Division, Ministry of Statistics and Program Implementation, 2012, p. 54) shows that 53% of funding is from grants, 16% from donations, 16% receipts from operations, 12% from other income including interest and only 2% from membership subscriptions. As mentioned above, these sources are diminishing. The developed economies have been and continue to be the largest providers of financial resources to the nonprofit sector in developing and emerging economies (OECD, 2015a).³ However, the continuing effects of the global financial crisis (GFC) of 2007–2009 on the economies, corporate sectors and donor communities of the developed world have diminished the flow of financial resources to the nonprofit sector both nationally and internationally (OECD, 2015b, 2013, 2011).⁴ Although there are now signs of recovery in the global economy, the Philanthropic Giving Index, an indicator of the giving environment, was in 2011 at its lowest level since the commencement of measurement in 1998 (as cited in Besel et al., 2011, p. 53). Rooney (as quoted in Lily Family School of Philanthropy, 2014) comments that “In recent years our school has projected that giving could take several years to return to pre-recession highs, based on the contemporary rates of giving” but also notes that, while there are

³ The OECD reports that as of 2014, “ODA [overseas development assistance] makes up more than two thirds of external finance for least-developed countries.” (OECD, 2015a)

⁴ ODA to (not through) NGOs – both local and international – has been relatively flat with a decline from 2007 (US\$2917M) until 2011 (US\$2351M) (OECD, 2013, 2011) followed by an increase in 2012 and 2013 to US\$2,779M (OECD, 2015b).

signs of recovery, “The instability of some areas of the economy, such as unemployment and corporate profits, as well as the volatility of the S&P 500, could weaken overall gains in giving in the future” (Lily Family School of Philanthropy, 2014). A study by Besel et al., (2011) notes that NPOs are not immune to the prolonged consequences of the GFC and the recessionary effects on the US economy.⁵

The OECD reported in 2012 that aid to developing countries had decreased significantly due to the global recession (OECD, 2012). Recent overseas development assistance (ODA) statistics (OECD, 2016) for 2013, 2014 and 2015 for India, Bangladesh and Sri Lanka show that overseas development assistance as a percentage of gross national income has remained relatively flat, and in the case of Bangladesh even further declined. This is reiterated by Ahmed (2010) relating to non-government organisations (NGOs) in the education sector, and by Collier (2015) looking at the effects of the GFC on the poorest countries more broadly. Gosh (2009), in reference to the developing world and India in particular, suggests that generally development aid is subject to the cyclical variations in the donor countries’ economic fortunes. This applies more widely to countries in the South Asia region (Bhaskaran, 2009). This environment is exacerbated by myriad, complex and intertwining challenges such as politics, economic downturns, poverty, social and economic inequality, climate change, natural disasters, racial conflicts, regional disputes and wars, terrorism, migration, refugees and unemployment, which divert available funds from long-term strategies to tactical short-term crisis management. Consequently, the increased competition for the diminished financial resource pool is proving to be an insurmountable challenge to maintaining and growing social capital building programs (Anheier, 2009; Johnson et al., 2004); “As charities are learning, if you want to do good, you have to do well” (Economist, 2015, p. 50).

In the South Asia region, the aforementioned social issues and the impact of the GFC on local economies are proving to be the most critical challenges to the sustainability of small-to-medium NPOs and SEs, and as a consequence can be considered existential threats. A large number of NPOs and SEs, especially the small-to-medium enterprises (SMEs) in South Asia, find it impossible to compete for limited philanthropic funds against the large NGOs that spend millions on high-profile media fundraising campaigns with stereotyped images of the developing world (Cameron & Haanstra, 2008; Lamers, 2005).

⁵ See also the Index of Global Philanthropy and Remittances 2013 (Centre for Global Prosperity, 2013).

The need for more community-based philanthropy and diversified sources of funding such as SE and collaborative corporate social responsibility (CSR) ventures, venture philanthropy, philanthro-capitalism and development impact bonds as pathways to financial sustainability for these organisations has been recognised by the sector for over a decade, even before the GFC:

The NPO world is changing. NPO leaders face government funding cuts, rising demand for performance measures by foundations, corporations that want strategic benefits from their philanthropy, new forms of competition from the business sector ... To respond effectively NPO leaders must be particularly enterprising. (Dees & Economy, 2001, p. 1)

The market orientation of NPOs as a strategy to ensure long-term financial sustainability has also been advocated since well before the GFC (Modi & Mishra, 2010; Dees, 2004; Dees & Economy, 2001). However, the GFC has accelerated this process and contributed to the growth in the SE phenomenon (Francois, 2015, pp. 193-194; Kaplan, 2013; Schwab Foundation for Social Entrepreneurship, 2013, p. 6; Villeneuve-Smith & Chung, 2013). An empirical investigation by Weerawardena, McDonald, and Mort (2010) focus on the sustainability of small, medium and large NPOs in the Australian environment. A grounded theory analysis of the data leads the authors to three sustainability propositions: first, dynamics in the external environment necessitate the adoption of business-like strategies for sustainability; second, organizational sustainability drives the adoption of operational strategies for financial sustainability; and third, such strategies require innovation in particular in relation to capital-raising and service delivery. Modi and Mishra (2010), in their study of market orientation in the Indian nonprofit sector, contend that the growth in this sector has made it more difficult for all to attract funding, while at the same time donors have become more demanding. They postulate that there is a link between nonprofit market orientation and the performance of the sector in developing countries, and that nonprofit market orientation is not dependent on the size or age of the organisation. A conclusion drawn from this is that many kinds of NPOs require an outward market orientation in order to meet the demands of their stakeholders (Modi & Mishra, 2010, p. 565).

As a response to these challenges, NPOs have begun to adopt business models that seek to combine nonprofit and for-profit strategies, now broadly known as the SE model. The 2012 Intellect study (Allen et al., 2012) of the SE landscape in India finds that the sector has witnessed dramatic growth since 2005 and is young, fast growing and ambitious. Further, the study finds that the key challenge confronting the sector is to secure funding for the sustainability of social capital building programs. The failure to secure funding is “either because

they do not meet investor requirements or because their business model needs further refinement before they are “investor ready” (Allen et al., 2012, p. 7). Also noteworthy is the fact that the majority of Indian SEs are small, with annual revenues of less than US\$100,000 and fewer than twenty employees.

1.3 Objective and purpose of the research

Given the large number of small NPOs, there is by comparison a paucity of theoretical and empirical research on how such organisations are adapting an SE model as a sustainability strategy in the context of seismic shifts in regional and local socio-economic and environmental factors. This is more so in developing countries. Further, most of the existing research is based on case studies, with limited theory development and testing in practical application. This study seeks to address this gap by focusing specifically on the issue of the financial sustainability of small to medium-sized NPOs and SEs in the South Asia region, specifically India, Bangladesh and Sri Lanka.

The diversity and complexity of the NPO sector, coupled with the different perspectives that are applied to the sector (for example, regulatory environment, functions, mission, size, operating model), pose a problem in defining an NPO. However, there is general agreement on the core characteristics, specifically, being: nonprofit, non-governmental, independent and voluntary (Australian Bureau of Statistics [ABS], 2014; National Accounts Division, Ministry of Statistics and Program Implementation, 2012, pp. 5-6). Short et al. (2009) analysis of past contributions and future research opportunities in the SE field identifies the multiple domains in which SE research has been published and key themes for future research. They highlight that further theory building in relation to SE and social entrepreneurship would benefit from exploring the implications for management and strategy of achieving economic and social objectives.

Working definitions of the key terms *social enterprise* and *financial sustainability* have been provided above. The objective of this research is to develop a theoretically grounded strategy for the financial sustainability of small-to-medium NPOs engaged in SE strategies in the South Asia region. The grounded theory generated by this qualitative research will contribute to formulating practical solutions to achieving financial sustainability across the spectrum of small-to-medium NPOs and SEs.

The study is based on a conceptual framework underpinned by three scholarly contributions to the research field, namely by Kerlin (2013), Seel (2006) and Weerawardene and Mort (2006). Kerlin’s (2013) study informs the role that regional/national socio-economic factors play in the

South Asian context that are the objects of this research. Seel's (2006) study is a grounded theory study of NPOs in Canada which researched the views of senior administrators and informs the focus on organisational sustainability and the factors that contribute to sustainability. Weerawardene and Mort's (2006) grounded theory study provides a basis for the multiple dimensions of an SE model.

Data collection has been done through a series of in-country, semi-structured, face-to-face interviews with participants who had rich in-depth experience and knowledge, and whose organisations varied in size (revenue and employees), which is important for theory generation.

1.4 Significance of the research

The objective of this qualitative research is to generate a new theory, using GTM, on the financial sustainability of small-to-medium NPOs and SEs in the South Asia region, in order to help them formulate practical solutions to achieving financial sustainability.

In order to achieve this objective, the project:

- first, investigates the trends in the NPO sector towards achieving financial sustainability in unpredictable economic environments that are in part a consequence of the continuing impacts of the GFC transmitted from developed to developing countries, and exacerbated by local factors such as: high fiscal deficits, poor governance, corruption and communal strife as a consequence of weak political and legal institutions; and
- second, generates a theory of financial sustainability for small-to-medium NPOs based on SE business models (Borzaga & Defourny, 2004; Dart, 2004).

This begs the question as to whether SE is a recognised academic paradigm and consequently a legitimate field for scholarly research. Nicholls (2010) argues that SE is in a pre-paradigmatic state and there is evidence to suggest emerging patterns of institutionalisation, one aspect of which is the increasing number of scholarly contributions (Haugh, 2012; Nicholls, 2010). The study is informed by these rich empirical and theoretical studies from leading scholars in the field. These include: Kerlin (2017, 2013, 2010, 2009) on SEs in a global context; Dacin, Dacin and Tracey (2011) on future directions of SEs; Nicholls (2010, 2006) on legitimacy of SEs as a research field; Short et al. (2009) on contributions to SE research; Defourny and Nyssens (2008) on conceptions of SE; Dart and Grant (2008) on construction of SEs; Bryant and Charmaz (2007) on construction of grounded theory; Seel (2006) on grounded theory in the sustainability of SE; Weerawardena and Mort (2006, 2001) on a conceptual model of social entrepreneurship;

Charmaz (2006) on constructing grounded theory; Dees and Anderson (2006) on the practice of social entrepreneurship and social entrepreneurship research; and Mair and Marti (2006) on social entrepreneurship research more generally.

A limitation in the extant research on the nonprofit sector is a tendency to generalise and adopt a one-size-fits-all approach without adequate consideration of the heterogeneity of the sector, comparing and contrasting developed and developing countries, and among developing countries (Doherty et al., 2014; Kerlin, 2013; Sama, 2009). This heterogeneity has arisen in part as a consequence of the rapid growth of the sector in different categories of purpose, region, urban/rural location, size and other variations. This lack of analysis specific to developing countries has been identified as a gap in the literature (Doherty et al., 2014; Kerlin, 2009; Salamon & Anheier, 1997) which has only slowly begun to be addressed over the past decade (Hasan, 2015; Seth & Kumar, 2011; Lyons & Hasan, 2002), following on from Sidel's (2001) seminal review essay on the status of research on the nonprofit sector in India and South Asia. The gap to be bridged is both descriptive and conceptual (Doherty et al., 2014, p. 15; Dacin et al., 2011). It should also be noted that the South Asia region has its own unique regional characteristics and institutional drivers, in contrast to South-East Asia, and therefore needs to be included as a separate domain in studies of SE.

Recognising the variance and debates in the definition of SEs and contexts among scholars and practitioners, Kerlin (2013) extends her previous research in proposing a conceptual framework through the lens of historical institutionalism. Proponents of historical institutionalism posit that prevalent institutional characteristics and patterns significantly influence the development of SE as those who innovate and create institutions respond to the prevailing institutional environment. This structures how institutions develop and evolve. Using this approach, Kerlin (2013) has developed a conceptual framework to explain the regional/national differences in definitions and concepts of SE. Using a mixed methods approach to develop a qualitative and quantitative conceptual framework, Kerlin (2013) identifies the macro-level institutional processes, linkages and factors that shape SE. This conceptual framework is validated by empirical data from five countries (the USA, Sweden, Italy, Argentina and Zimbabwe). However, Kerlin (2013) acknowledges the need for further research that includes Asian and Middle Eastern countries, and others to validate the regional groupings that underpin the findings of Kerlin and her colleagues, and to include new regional groups such as South and South-East Asia, to

determine whether their institutional contexts produce region specific models.⁶ In the context of these countries and other developing countries, apart from the international influences on the conceptual framework, the impact of centuries of colonialism (Ziltener & Künzler, 2013) needs to be considered as a distinct international influence in such comparative studies.

Other leading scholars on SE, for example Defourny and Nyssens (2010), are of the belief that simply exporting US or European approaches without factoring in the local context will be merely replicating a formula. These observations build on earlier assertions by nonprofit sector scholars Salamon and Anheier (1997), who suggested twenty years ago that extant theories are based on Western concepts of market economies, democratic political systems and Judeo-Christian traditions. These concepts do not take heed of the particulars of the developing world, where socio-economic, political, cultural and religious norms are naturally diverse, distinctive and heterogeneous. Yet we continue to see the application of theories formulated in the USA and Europe, which do not sufficiently recognise this diversity or develop new theories to understand particularity in the nonprofit sector. The limitations of Western theories must therefore be taken into account when applied to other geographies (Barkema et al., 2015; Surender, 2013).

Nonetheless, access to increasing volumes of data from cross-national sources has enabled some testing of the theories, focusing on national differences such as size, financing, heterogeneity and religious diversity. While this is a welcome development, it does not obviate the need for more theoretical and empirical studies to understand the growth and cross-national differences of the nonprofit sector, a view widely held among academics, practitioners and policymakers (see also Cukier et al., 2011; Dees & Anderson, 2006). These differences are discussed in detail in *Chapter 2 – Theoretical and Empirical Literature Review*, Section 2.8 which examines the macro-institutional context for the emergence of the nonprofit and SE sectors in each of the chosen countries – Bangladesh, Sri Lanka, and India.

As noted, the dearth of scholarly research and empirical studies on SE and social entrepreneurship in the Asian and in particular the South Asian region is a recognised gap in the literature (Hasan, 2015; Krishna & Krishna, 2010; Ravichandran, 2008; Sidel, 2001). Official statistics from the Government of India have recorded about three million NPOs (National Accounts Division, Ministry of Statistics and Program Implementation, 2012; Asian Development Bank [ADB], 2012; Seth & Kumar, 2011) and there are over 2500 local NGOs in Bangladesh (NGO

⁶ Kerlin's more recent work (2017) includes Korea, Spain, Australia, Chile, Sweden, China, Zambia, and Romania, but not South-East Asia.

Affairs Bureau, 2017). Sidel (2001) observes that “Both the quality of this research as well as the range of topics under exploration make South Asia in general and India in particular one of the most exciting nonprofit and philanthropic research environments today” (Sidel, 2001, p. 171). While case studies and research on SE are significant in India (Best & Kumar, 2008; Kumar, 2004), there is again very little substantial theoretical and empirical work on the topic. It can be argued that one of the contributing factors to this lack of theoretical and empirical research is the comparatively small number of academic institutions and research centres focused specifically on the SE field (Ashoka Global Academy for Social Entrepreneurship, 2007).⁷ This study seeks to address this gap.

With reference to the previous working definitions of SE and financial sustainability adapted for this research, it is worth noting that, notwithstanding the fact that the phenomenon of SE has evolved over decades or more, there is still no overarching exemplar in the voluminous extant literature. Consequently, the proliferation of definitions of SE, *social entrepreneur* and *social entrepreneurship*, not to mention loosely cognate terms such as *impact investor*, *social venture philanthropy* and others, is part of the current lexicon in SE discourses. The varying concepts and definitions of SE have been ascribed to the differences in the concept adapted by scholars from different geographical and socio-cultural regions, and the regulatory role of governments. The literature review in *Chapter 2 – Theoretical and Empirical Literature Review* includes an analysis of the definitional debate relating to SE together with a review of the classical literature on the economic theories of the nonprofit sector (Valentinov, 2008; 2006; Steinberg, 2006; Hansmann, 1980; Weisbrod, 1975), with the aim of understanding the genesis of the SE phenomenon from within the nonprofit sector, and the theories, hypotheses and empirical contributions in two areas relevant to the research questions, in order to provide a framework for the development of a strategic business model. The two areas are: SE and social entrepreneurship as a business model and a strategy specific to the nonprofit sector and aimed at financial sustainability; and the actual responses of the nonprofit sector to the financial sustainability challenge.

The framework indicated by the above discussion forms the basis for a detailed theoretical and empirical analysis of the literature relevant to the research topic in Chapter 2, which further elaborates on the gap and significance of this research. The framework also helps to formulate

⁷ Ashoka Global Academy for Social Entrepreneurship (2007; see also Brock 2008) has identified 25 institutions in India in which the area of expertise is in economics and finance, including corporate citizenship, with social entrepreneurship being integrated into behavioural and social science disciplines, specifically leadership, communication and rural development. It also features in journalism studies. This is contrasted with Europe, where there are 87 professors and researchers in 15 countries across 41 institutions, and the USA, where there are 94–123 professors and research centres, in both cases all focused exclusively on the nonprofit sector and SE.

the research questions and the strategy for the research method and methodology, and complements this researcher's own experiential knowledge with contributions from leading scholars in the field.

1.5 Motivation for this research

The principal motivation for undertaking this academic research is based on the researcher's experience as an active member of an Australian NPO involved in development projects in the South Asia region. This organisation is confronted with the challenge of finding the financial resources to sustain its social mission and programs, as the current donative model does not guarantee long-term financial sustainability. The organisation needs to adopt new funding models, such as transitioning to an SE model, to augment revenue. However, a limited evaluation of such business models has not yielded a viable solution. As such, I am approaching this project as a social science researcher, adapting the appropriate academic research disciplines, methodology, methods and research writing in order to generate a solution to the practical challenge of financial sustainability.⁸

1.6 Research questions

The literature (Kerlin, 2009; Seel, 2006; Weerawardena & Mort, 2006) suggests a set of themes to be used as a starting point for the current research and the generation of new theory. The specific aspects of the topic that this research focuses on include the following themes:

- context and environment for markets and risk
- defining the scope of social entrepreneurship in terms of business strategy, business models and organisational structures, and risk
- opportunity recognition, innovation and exploitation
- role of technology in creating social value; and
- performance and effectiveness in diffusion of social innovation in social venture formation.

These themes are further examined in the specific context of small NPOs and SEs in India, Sri Lanka and Bangladesh. The research identifies which themes are relevant in this context.

⁸ Note that the researcher's own organisation does not form part of the research.

The overarching question that the research aims to address is:

- How can small to medium-sized NPOs in the South Asian context achieve financial sustainability through SE business and organisational models?

In the context of this research, an SE business model is one which creates social value as distinct from economic value (Alter 2007). An SE organizational model in turn reflects a structure and allocation of resources consistent with this primary purpose. An SE business and organizational model in combination is a strategy for sustainability.

The sub-questions, based on a GTM, are:

1. What are the dimensions and relationships between the key themes emerging from the literature and from the empirical data that are critical in developing an integrated strategy for financial sustainability for small-to medium NPOs based on an SE business model in the South Asia region?
2. Why are these themes and their interrelationships *critical* to financial sustainability in the chosen context?
3. How can the research findings be integrated to develop a new theory and/or extend current theories of financial sustainability for small-to-medium SEs?

This conceptual framework, illustrated in Figure 1.2 below, has been developed to articulate the research objectives.

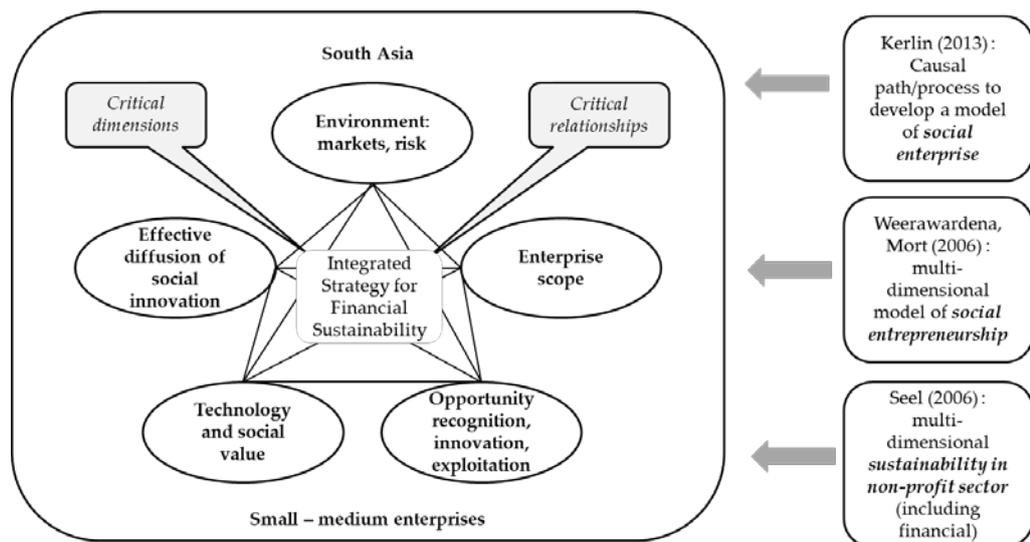


Figure 1.2 – Conceptual framework

1.7 Contribution of this research

In answering the above questions, this thesis on financial sustainability of small-to-medium SEs (SMSEs) in South Asia, specifically India, Bangladesh and Sri Lanka, makes a substantial contribution to knowledge, both theoretical and practical. The research has developed a *substantive* theory which is original in that it is a pragmatic, *performance-based*, management *action* theory to achieve financial sustainability. Unlike existing theory, it addresses the challenge of financial sustainability, through a *practical step by step* approach to performance strategy formulation, influenced by the *context* in which the SE operates. Moreover, as a substantive theory, it recognises the specific macro-institutional context for the emergence of SE in these three countries, thus expanding on existing theories which derive from a European and North American context.

The research approach is original, in that it combines qualitative GTM with current trends in management and organisational research to develop a theory which emphasises the importance of *management cognition* in performance strategy formulation, specifically in relation to SE.

The theory developed in this research, as with the corresponding guidelines for practitioners seeking to operationalise it, is sensitive to context and incorporates a dynamic response mechanism as part of the five step performance management approach. It makes no assumptions about organisational capacity, or institutional (political, economic, cultural, social) environment and support and so is accessible to all. It defines a path to financial sustainability for these SEs and provides practical guidance on how to start the journey. It can be adapted for any stage in the life cycle of SE development from startup to maturity.

Thus, the research makes a significant contribution to bridging the gap in the extant literature identified earlier, that is the neglect of the fundamental struggle of small-to-medium NPOs and SEs in developing countries, where the institutional context and support available are part of a complex historical process and postcolonial experience. This is especially true of South Asia and the three countries studied in this research. The SAARC region has the largest (in numbers) nonprofit sector in the world. The importance of addressing this region and its unique context cannot be understated in view of the enormous potential for social impact and transformation through SE. This research provides a foundation and encourages other researchers to explore SE financial sustainability in this region.

1.8 Research design

The key decisions that need to be made in designing social science research are the choices of the research paradigm (also referred to as the theoretical framework), research method and research methodology (Creswell, 2014, pp. 3-23). A theoretical framework or research paradigm underpins the choice of the research problem, framing of the research questions and choice of the research strategy, that is, the methods and methodology (Mertens, 2010, pp. 1-45; Blaikie, 2007, pp. 109-176; Mackenzie & Knipe, 2006). Mackenzie and Knipe (2006) argue that the starting point in the social research process is the nomination of a research paradigm, without which any subsequent choices of research strategies would have no basis or anchoring framework. However, it is necessary to acknowledge that different texts and scholars place varied degrees of emphasis on the role of research paradigms in social research.

The *pragmatic* paradigm, one of the contemporary genre, is the theoretical framework within which the *answers* for this project's research questions are sought; "In pragmatism any idea or theoretical construct is judged by its practical usefulness in advancing the particular goals human beings have in their life" (Martela, 2011, p. 4). The pragmatic paradigm puts the research question at the centre of the enquiry and offers the flexibility to seek out appropriate approaches in both data collection and analysis (Mertens, 2010).

This pragmatic approach has influenced the choice of approach of grounded theory. The two dominant variations are: the Glaserian or purist method (Glaser & Strauss, 1967) and the Straussian or pragmatic method (Corbin & Strauss, 1990; Strauss & Corbin, 1998; Strauss, 1987). The former argues that the generation of theory must proceed exclusively from the analysis of data, while the latter advocates a preliminary review of the relevant literature. The arguments behind these positions are discussed in Chapter 2. In brief, that the literature review has a significant role in grounded theory is widely acknowledged. The classical purist stance is to not undertake any review of the literature and so allow the categories to surface from the analysis of the data independently of previous theoretical frameworks. Bryant and Charmaz (2007b, pp. 19-20) are of the opinion that a review of relevant literature after developing the grounded theory enhances the theoretical level by analysing the extant literature in relation to the development of the new theory.

The alternative stance recommends conducting a preliminary literature review to inform the novice researcher of the landscape of the research field and a framework to start with (Dunne, 2011; Bryant & Charmaz, 2007b; Charmaz, 2006, pp. 165-168; McGhee et al., 2007), using

reflexivity to minimise any distortions in analysing the data due to prior information bias. Dunne (2011) also posits that the constant comparative method (CCM) of grounded theory demonstrates how extant knowledge and data could be integrated into the emerging theory. This has been the process followed in this research, as will be seen in *Chapter 6 – Theory of Financial Sustainability*. Chapter 2 discusses the role of the literature review in GTM in more detail.

Having adopted the Straussian approach to GTM for this research, this decision has then shaped the research process. Reichertz (2010) argues that (Straussian) grounded theory is not only a qualitative *inductive* methodology, but also incorporates the logic of *abductive* reasoning. This permits the use of abductive reasoning in GTM. Briefly, the logical sequence of research in abduction is rule-to-result-to-case, which differs from the deductive approach, in which the sequence is rule-to-case-to-result, and from the inductive approach of case-to-result-to-rule (Tavory & Timmermans, 2014, pp. 7-19; Reichertz, 2010). An abductive approach is combined with GTM. Kovac and Spens (2005) argue that the combination of the creative and intuitive with the capacity to distinguish between the general and the particular makes the abductive methodology particularly suited to formulating and selecting hypotheses and propositions:

Given some observations that are surprising or unexpected, abductive reasoning is concerned with generating hypotheses about the observations or with reasoning to the best explanation. Problem solving fits the abductive reasoning framework. The problem motivates a search for a solution, and abductive reasoning produces potential solutions to the problem. (Schvaneveldt & Cohen, 2010, p. 189)

The abductive process in this research has used semi-structured interviews with NPOs and SEs from the South Asia region to provide the data for analysis through grounded theory using NVivo for qualitative analysis. This abductive process is illustrated in Figure 1.3 below.

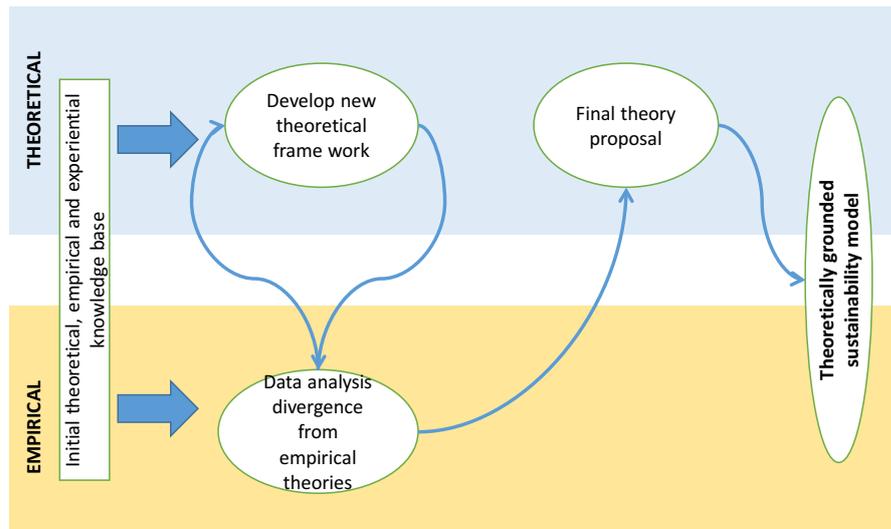


Figure 1.3 – Abductive process (adapted from Kovacs & Spens, 2005, p. 139)

Theory generation in GTM is based on themes that emerge from the data through a process of coding, constant comparison of data and emerging categories (Hesse-Biber, 2007; Bowen, 2006; Locke, 2001, pp. 44-62). On the question of what data to collect, Locke (2001) suggests:

The question of what data need to be collected in order to facilitate the theorizing process is, therefore, a recurrent one. Whatever the unit of analysis, whether it be organizations, groups, individuals, situations, or particular types of event, grounded theory researchers always select them according to their theoretical relevance for the work of furthering the developing theory. This selection occurs repeatedly at many levels both during the initial set up of observations or interviews and throughout the study as analysts begin composing and relating their theoretical categories. (Locke, 2001, p. 55)

The unit of analysis in this research derives from the research question, and not the participants or interviewees themselves or the organisations they represent. They are the informants of the themes under investigation, as these themes relate to the participants' experiences and their organisations (Gläser & Laudel, 2013; Gasson, 2004, p. 82). The basic unit of analysis for this research is the themes relating to financial sustainability, as indicated in the research questions, and the interrelationship between the themes, as shown in Figure 1.4 below. An initial set of five a priori themes was identified; however, this did not preclude the emergence of any new themes from the analysis.

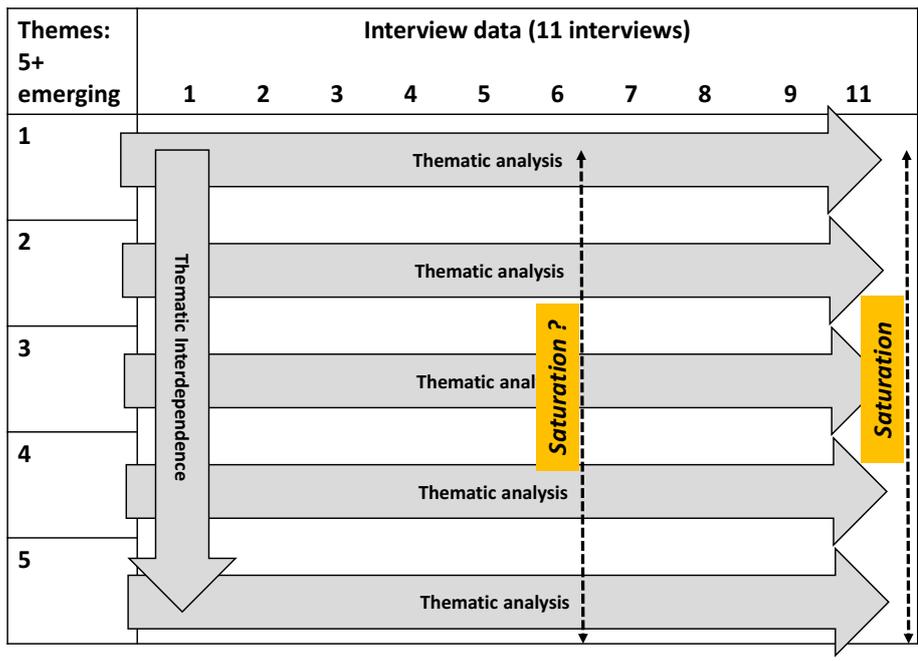


Figure 1.4 – Unit of analysis and theoretical saturation

The primary source of data for this research has come from eleven semi-structured interviews with organisation founders, C-level executives who were highly motivated, had extensive knowledge across all strategic and operational details of their organisations over a number of years and were key drivers of the sustainability of their organisations. These interviewees were selected through purposive sampling in relation to the identified themes and a preliminary face-to-face meeting and survey. The interviews explored, but were not limited to, the a priori themes and their interdependencies in relation to the financial sustainability of the interviewees’ organisations.

Sample size is dictated by the concept of theoretical saturation. However, some scholars posit that this concept, although featuring prominently in the literature, offers no clear articulation of how it can be achieved in practice. Consequently, sample size poses a dilemma in particular for doctoral researchers (Marshall et al., 2013; Baker & Edwards, 2012; Mason, 2010; Guest et al., 2006). The Marshall et al. (2013) study cites several scholars to suggest that theoretical saturation is generally reached at low levels of sample size. A paper titled “How many qualitative interviews is enough?” by Baker and Edwards (2012) from the National Centre for Research Methods canvassed the opinions of a number of leading scholars (Alan Bryman, Kathy Charmaz and Norman Denzin, among others) on this question and the recurring answer was that ‘it depends’.

Chapter 1 – Introduction

For this research, data has been collected from eleven organisations. These were selected from an initial list of thirty organisations selected through a broad scan of the publicly available data, based on number of employees, financials (income, assets and expenditure), location, years of operation, sector, mission, legal structure, demography and socio-economic profile. This list was filtered down to eleven⁹ based on information provided by on-ground contacts and considerations of time and budget. Purposive sampling was done using an initial survey questionnaire to gather background information on the organisation and the nominated interviewee, their willingness to participate and other logistics in relation to the interviews, together with a preliminary face-to-face meeting.

Chapter 3 – Research Paradigm and Method discusses in more detail the sampling criteria which were used in the process outlined above. These criteria also served to ensure that the sample covered a spectrum of small-to-medium nonprofits based on three dimensions: size; being an SE pursuing financial sustainability (both constructs as defined for this research); and being positioned at the social value creation end of Alter's (2007) sustainability equilibrium spectrum. The reference point for size was the Indian Ministry for Micro, Small and Medium Sized Enterprises classification based on investment (2009, as cited in GIZ, 2012, p. 16)¹⁰ and a classification based on employee numbers drawn from the United Nations Industrial Development Organization (UNIDO, 2004, p. 20). The former introduced a fourth category of micro and so this research includes micro as well as small and medium NPOs (or micro, small and medium SEs – MSMSEs). The term *small-to-medium NPOs and SEs* is used interchangeably with *MSMSE* in this thesis. Having selected the sample, they were then further categorised according to stage of development using Burkett's (2010, p. 13) life cycle phases of SE development (refer Figure 3.5, p. 80). The resulting spread is summarised in Table 1.1 below. This demonstrates a good spread for the purposes of analysing the a priori and emerging themes within the data and achieving theoretical saturation.

⁹ Initially twelve organisations were selected however as the participants for one were headquartered and located in South Africa, they were excluded due to logistical and budget constraints of the research.

¹⁰ This actual data point was not available; however, revenue or turnover was used as a proxy given that nonprofits by definition reinvest surpluses into the organisation's mission.

Table 1.1 – Sample distribution

Size	Pre (traditional nonprofit model)	Startup phase of SE	Development phase of SE	Growth phase of SE	Maturity phase of SE
Medium				2	1
Small-medium	1		1	1	
Small	1				
Micro-small			1		
Micro			2	1	

Semi-structured, audio-recorded interviews were used for data collection under the ethical policy guidelines of the university.¹¹ Each interview had an average duration of one hour, using an interview guide covering each of the five a priori themes. Interview data from six participants was initially selected for data analysis using GTM (transcripts were uploaded to the NVivo database for coding and analysis), with data from the remaining five participants subsequently analysed in order to achieve theoretical saturation as illustrated in Figure 1.4, p.17.

In summary, the three steps of GTM that have been followed in this research are (Strauss & Corbin, 1998, pp. 10-14):

- first, data collection, transcription and uploading to NVivo software for coding and analysis
- second, coding of the data, that is, the analytical process of reducing the data, conceptualising and integrating it to generate theory using theoretical sampling and constant comparative analysis in a cyclical process until theoretical saturation was achieved; and
- third, report writing as constituted by this thesis and theoretical and conceptual contributions.

1.9 Assumptions, limitations and scope

It was assumed that the generation of a theory or an extension of a current theory on the financial sustainability of SMSEs in the nonprofit sector would emerge by adapting the canons of GTM. In particular, applying the processes of coding, constant comparison and theoretical

¹¹ Swinburne University Human Research Ethics Project No. 2013/240.

sampling with reflexivity and diligence would ensure the validity and credibility of the generated theory.

The choice of participants in the three different countries was constrained by budgetary and time issues. The time span covers the period 2014–2017. The choices may not be fully representative of the small-to-medium nonprofit sector in South Asia. However, the purposive sampling has attempted to ensure that the data relating to the core themes contains breadth as well as depth. Consequently, the theory or extension to existing theory on financial sustainability generated by the collection, analysis and interpretation of the data may not provide a solution for all SEs and nonprofits, but does have internal validity and reliability.

Glaser and Strauss (1967, pp. 237-250) argue that the underpinning factor for them in developing grounded theory was to facilitate its application by both practitioners and researchers. To achieve this objective, the generated substantive theory must fit the researched field, make sense to the practitioner's theory in the field, be adaptable to daily variable circumstances and offer the user a degree of control in order to manage the varying environments over time. The proposed theory of financial sustainability has these attributes and can be applied to developing practical financial sustainability solutions not only for the sampled but also for similar organisations.

The study is limited to five interrelated themes on financial sustainability, plus any emergent themes from the analysis, with data on each theme taken from eleven organisation interviews in three countries: India – ten interviews in the states of Karnataka and Tamil Nadu; Bangladesh – one interview in Dhaka; and Sri Lanka – one interview in Colombo.

1.10 Summary

The challenge of how to achieve financial sustainability in an uncertain economic environment is confronting the nonprofit sector in every region of the globe. This is particularly so in developing countries, where NPOs have a large dependence on government funds and the largesse of the developed world. In the South Asia region, which has the largest concentration of small to medium-sized NPOs, the search for pathways to financial sustainability is an imperative task. This research aims to address this issue while locating the research in three countries – India, Bangladesh and Sri Lanka – within the region which collectively represent a significant number of NPOs, and MSMSEs in particular.

Chapter 1 – Introduction

The thesis is organised as follows:

Chapter 2 – Theoretical and Empirical Literature Review

This chapter reviews current knowledge including literature reviews, case studies and experiential knowledge. The empirical and theoretical gap in the literature is identified as the lack of research in relation to financial sustainability of NPOs and SEs in developing countries and South Asia in particular. This gap is explored through a review of economic theories of the nonprofit sector, SE, and financial sustainability. The location of the research in Bangladesh, Sri Lanka and India is further discussed in terms of the economic, social and cultural landscape that shapes NPO and SE emergence in each country. The literature review also considers the different approaches in GTM research to sequencing within the research process and argues the case for engaging with the literature prior to analysis and theory development.

Chapter 3 – Research Paradigm and Method

This chapter explains firstly the adoption of *practical pragmatism* as the research paradigm. This underpins the choice of the research problem, the framing of the research questions and the selection of the research strategy – GTM – so that the gap identified in existing knowledge can be addressed within time, budget and logistical constraints of the research. GTM includes far greater explication of the ways in which the analytic process contributes to theory building than many other methods. The chapter accordingly proceeds to describe the research design choices made according to these parameters, including: sampling and location of participant organisations using convenience and purposive sampling; profiles of sampled organisations; conduct of the research using a survey instrument, initial field visit and a subsequent extended field visit to conduct semi-structured interviews; collection and management of the data through audio recording and use of software for analysis; ensuring research validity and quality; and adherence to ethical guidelines and procedural requirements.

Chapter 4 – Research Methodology

This chapter details the pragmatic adaptation of GTM to the research, based on the Strauss and Corbin (1998) approach. This adaptation is based on the constraints discussed in the previous chapter and within the framework of a coding strategy specific to this research. The chapter is prefaced by an acknowledgement of, and strategy in relation to, the critiques of GTM when used for management and organisational studies research, that is, the importance of completing the process. It then provides, as is required by this methodological approach, a step-by-step

Chapter 1 – Introduction

elaboration of the complete analytical process followed in this research, the core elements of which are: coding (assignment of codes to the data) using the a priori themes identified earlier and also allowing new themes to emerge; and abstraction of these codes to a higher level of conceptual categories and subcategories. During these steps, the core processes of GTM (theoretical sampling of data, constant comparison between interviews, and achieving theoretical saturation with the data) drive towards identification of a core concept or category which is central, that is all other categories can be related to it and as such it ultimately anchors the theory.

Chapter 5 – Discussion and Analysis

This chapter applies the process described in the previous chapter to analyse the transcribed interview data. It moves through the coding phases of GTM, that is, open, axial and selective coding, in conjunction with the core processes of GTM. Five conceptual categories are identified through this analysis: organisational characteristics; performance, external factors; business processes; and technology. Of these, the two most salient (in terms of occurrence in interviews) are *performance* and *external factors*. These two are further analysed drawing on the interview data and compared to the existing work of Seel (2006) and Weerwardena and Mort (2006). *Performance* emerges as the core category and its relationship to all other categories and subcategories is mapped out to establish its centrality for the purpose of theory generation.

Chapter 6 – Theory of Financial Sustainability

This chapter more fully develops a substantive theory of financial sustainability for small-to-medium NPOs engaged in SE strategies in the South Asia region. It is presented as a *performance-based management action* theory in five phases which is predicated on *management cognition of contextual* stimuli or inputs. It includes the theoretical framework of themes, thematic links and thematic integration. Further, it integrates, as appropriate, relevant extant knowledge and data into the emerging theory. Finally, a guide to operationalising the theory is provided for practitioners which requires them to address human resource constraints as a first step, initially through bricolage.

Chapter 7 – Conclusion

This chapter articulates and discusses the principal findings in relation to financial sustainability, relating back to each of the research questions and the objective of the research. It discusses the theoretical and practical significance of the research findings. There are two aspects to this:

Chapter 1 – Introduction

first, the research has demonstrated that precise definition and understanding of SE and social entrepreneurship require a small-tent approach which investigates the phenomenon within a specific context. Second, this small-tent approach is shown to provide MSMSEs with a practical pathway which they can readily adapt to find concrete solutions to financial sustainability. The chapter also includes a discussion of the limitations of the research findings as a consequence of the practical realities of conducting the research and other limiting factors, and provides suggestions for future research topics that this study has revealed.

While this introductory chapter has covered the background and research problem, significance of the research, the research questions, contribution, motivation and research design, the following chapter reviews the theoretical and empirical literature on topics relevant to the research in order to underscore the grounded theory generation process in line with a Straussian approach to GTM.

2 Chapter 2 – Theoretical and Empirical Literature Review

2.1 Introduction

This chapter informs the research by reviewing the relevant extant literature on SE, social entrepreneurship and financial sustainability of SEs in the nonprofit sector. The objective of this review is to provide a framework in order to locate the current research within the larger corpus of empirical and theoretical studies. The review identifies a empirical and theoretical gap in the literature that is targeted by this research, specifically the paucity of in-depth studies of the nonprofit sector in general and SE in particular in the developing world, and the absence of theoretical research on solutions to financial sustainability in a developing world context. The research is focused on South Asia for this reason.

As this research is based on GTM, this literature review also links to the theoretical and conceptual foundations that underpin the thesis. A literature review is considered an important tool when researching emerging fields such as SE and, in particular, for research involving small samples (Mertens, 2010, p. 89). Further, such a review informs, expands and enriches the researcher’s experiential knowledge by viewing the research field through the lens of empirical and theoretical studies. Strauss and Corbin (1998, pp. 49-52) also suggest multiple ways in which both technical and non-technical literature can be leveraged in grounded theory generation. This includes the use of concepts and published descriptive material from the literature. In this research, these have been incorporated into the conceptual framework and used to develop the research sub-questions. A further suggestion is to utilise literature as a secondary source of data. This approach has been utilised in theory development.

This research is focused on small-to-medium NPOs and SEs in the South Asia region that belong to the social value creation group as per Alter’s (2007) sustainability equilibrium typology (see Figure 1.1, p. 3). Value creation is viewed as a co-creation of social capital. Like financial capital and human capital, social capital is considered a productive resource that facilitates actions to enhance the business operations and consequently the enterprise’s value creation (Tsai & Ghoshal, 1998). Based on Tsai and Ghoshal’s “model of social capital and value creation” (Tsai & Ghoshal, 1998, p. 466), Windasari et al. (2017) use a service-dominant logic to argue that social capital facilitates the co-creation of value among the stakeholders of an SE: “Value in social

enterprise highly correlates with stakeholders' value. Stakeholders comprise people and organizations both inside and outside to receive and create value from organizational actions" (Windasari et al., 2017, p. 1653).

As a prelude, this chapter first explores the role of the literature review in GTM, followed by an assessment of SE as a research field, including the related concept of social entrepreneurship. As this research is about the financial sustainability of SEs in the nonprofit sector, this is followed by a review of the classical literature on the economic theories of the nonprofit sector (Valentinov, 2008; 2006; Steinberg, 2006; Hansmann, 1980; Weisbrod, 1975), with the aim of understanding the genesis of the SE phenomenon from within the sector. The chapter then explores the theories, hypotheses and empirical contributions in two areas relevant to the research questions, in order to provide a framework for the development of a strategic business model. The two areas are:

1. SE and social entrepreneurship as a business model and a strategy for exploiting opportunities, respectively, specific to the nonprofit sector and aimed at financial sustainability; and
2. actual responses of the nonprofit sector to the financial sustainability challenge.

Finally, the rationale for locating the research in the three chosen countries in South Asia is discussed. This gap is further highlighted through a description of the SE landscape in each country.

2.2 The literature review in GTM

The dilemma of when to undertake a literature review in GTM research has been and continues to be a much-debated topic. There is a substantial volume of academic research discussing the different stances on the timing of the literature review. Many of these papers have articulated the confusion with regard to the timing felt not only by the experienced, but even more so by early-career researchers. This controversy is part of a wider contentious debate between the two principal schools of GTM, as articulated by Glaser and Strauss on the one hand (the purist school) (Glaser & Strauss, 1967) and Strauss and Corbin on the other (the pragmatic school) (Strauss & Corbin, 1994). The original and classical GTM proposed by Glaser and Strauss (1967) dictates that the generation of theory must proceed exclusively from the analysis of data. They proscribe any literature review in the substantive research field and other associated fields until grounded theory generation is almost complete, at which stage any new findings from the literature review relevant to the research are treated as new data for the purposes of constant

comparison (Glaser, 1998). The premise is that the emergent categories should not be contaminated with any extant theoretical frameworks or associated hypotheses.

The alternative stance on the timing of the literature proposed by Strauss and Corbin (1994) advocates a preliminary review of the relevant literature. They posit that many researchers have experiential knowledge of their research field and are familiar with the associated literature prior to commencing the research. Specifically, those in this school assert that undertaking a preliminary literature review is considered to be a tool for sensitising the researcher and directing theoretical sampling during data analysis (Strauss & Corbin, 1994, pp. 48-52). Further, a preliminary literature review can:

formulate questions that ‘act as a stepping off point’ during initial observations and interviews and during data analysis can stimulate questions about ‘what is going on’ with the data. In these later editions, they also maintain that the literature can help the researcher to assist theoretical sampling and add that it can direct the researcher to situations they might not have considered otherwise. (Giles et al., 2013, p. E37)

Charmaz (2006) and Bryant and Charmaz (2007b), in articulating the constructivist version of grounded theory, echo the above role of the preliminary literature review. They contend however that recommendations for the literature review should be postponed until theory generation is almost complete and should be proposed by experienced and professional researchers who have a repository of extensive knowledge of the literature and experience on the research topic (Bryant & Charmaz, 2007b, pp. 19-20; Charmaz, 2006, pp. 14-18). *Reflexivity* is also suggested as a process to quarantine the researcher in GTM from their previous theoretical and experiential knowledge of the field impinging on the research process (Haynes, 2012; Dunne, 2011; McGhee et al., 2007). Haynes (2012) nominates two elements in reflexive research: first, interpretation, during which the researcher needs to be aware of their own values, political leanings and theoretical assumptions; and second, reflection on how the researcher’s own intellectual, theoretical and cultural perceptions inform the interpretation. The process of reflexivity, suggestions on how to conduct reflexive research and strategies to enable reflexive awareness provide the means to minimise any distortions in analysing the data due to prior information bias.¹²

Based on the above discussion and recommendations, it is reasonable to conclude that there is a general consensus that, for early-stage academic researchers and PhD students intending to

¹² A summary comparison of the two approaches to the literature review in GTM is tabulated in Giles et al. (2013, p. 36).

use GTM, an initial review of the literature is appropriate and beneficial (Giles et al., 2013; Dunne, 2011; Strubing, 2007; Strauss & Corbin, 1994, pp. 48-52). The benefits include:

- an increase in understanding of the developments in the field of research before making decisions on methodology
- help in identifying gaps in the literature which are of particular relevance to the practitioner (such as this researcher, who is looking for answers for the existential issue of financial sustainability) and/or to confirm that the study has not previously been undertaken
- help in situating the study in context, as in this case where the project is located in the South Asia region and focuses on small-to-medium nonprofits and SEs; and
- enhancement of theoretical sensitivity for data analysis and theory building.

This research adopts a compromise underpinned by the discussion above and by the exploratory literature review in this chapter. As outlined in *Chapter 1 – Introduction*, section 1.8, the abductive approach which has been adopted in this research also draws on existing theory and literature in the generation of new theory. In *Chapter 6 – Theory of Financial Sustainability*, a substantive theory is developed with reference to existing theory and extant literature, and within an overarching new theoretical framework. This procedure enhances theoretical robustness by analysing the extant literature in relation to development of the new theory, while the constant comparative method of GTM demonstrates how extant knowledge and data can be integrated into emerging bodies of theory (Dunne, 2011; Bryant & Charmaz, 2007b, pp. 19-20).

2.3 Social enterprise as a research field

This section explores the status of SE as a research field in combination with the related concept of social entrepreneurship. SE is found to be in a pre-paradigmatic phase, notwithstanding the more established research field of social entrepreneurship. Taking a resource-based view of SE in the nonprofit sector, organisational sustainability, performance and resilience are highly dependent on three critical, interlinked resources: *financial capital*, *social capital* and *human capital*. Given the uncertain post-GFC environment, it is imperative that nonprofits (and SEs in particular) located in the social value creation group identified by Alter (2007) develop strategies to leverage the mobilisation of these resources for both sustainability and scaling-up of the organisation's operations (Doherty et al., 2014; Desa, 2012; Osberg, 2006; Dees, 2001). This

research is focused on the sustainability of financial capital, which underpins the acquisition of human, physical and technological resources.

Financial sustainability, as discussed previously, is defined as the ability of an SE to generate all or a significant part of the revenue it needs in order to achieve its social mission consistent with its system of values (Alter, 2003). Whatever the sources of funding are, be they commercial transactions, donations, grants, philanthropy or corporate funds (World Bank Group, 2013), the objective is long-term viability anchored on financial sustainability. However, garnering these funds in a highly competitive environment requires a strategic management approach (Francois, 2015, pp. 176-191; pp. 213-233; Greatbanks & Manville, 2013, pp. 2193-2429). Moreover, with changes in funding patterns such as a shift away from core funding to project-based funding, funders are demanding more control and intervention in relation to how the money is spent and how the project is executed, along with additional reporting requirements and commitment to more short-term projects (Ebrahim & Kasturi, 2014). While creating an environment of uncertainty and unpredictability, this state of affairs is also an opportunity for SE practitioners to become informed about empirical and theoretical research that may help them design solutions, at the same time recognising that SE research is a nascent and pre-paradigmatic field and lags behind practice (Mueller et al., 2015).

As outlined briefly in Chapter 1, section 1.4, theoretical and empirical research into the SE phenomenon has grown significantly over the past two decades but has lacked a consensus definition of SE and related terms, notably *social entrepreneurship*. In spite of the burgeoning interest in and substantial amount of literature on the topic, variances in definitions, concepts, domains and measurement (Young, 2012; Cukier et al., 2011; Defourny & Nyssens, 2010; Kerlin, 2009) have hindered the emergence of SE and social entrepreneurship as a serious paradigmatic field of research (Nicholls, 2010; Short et al., 2009). SE and social entrepreneurship are consequently viewed as a pre-paradigmatic field of research for scholars, practitioners, entrepreneurs, management strategists, managers and policymakers. There is a plethora of definitions and concepts depending on the political, cultural, geographical and organisational contexts, and on the theoretical perspectives of the authors (Teasdale, 2012; Bacq & Janssen, 2011; Lyon & Sepulveda, 2009). Mueller et al. (2015) suggest that the impediments to the advancement of the SE research field and its consequent lagging behind practice are: no consensus on domains, boundaries, definitions and meaning of SE; lack of rigorous research methods; limited conceptual understanding in the context of traditional economic assumptions; and language limitations. However, there are emerging indicators that these impediments are

being addressed and that SE theory development is moving forward (Mueller et al., 2015; Santos, 2012; Dacin et al., 2011; Mueller et al., 2011; Dacin et al., 2010).

Sassmannshausen and Volkmann (2013) conducted “a bibliometric analysis of the literature and the academic structure of the field and to draw conclusions on the advances and the sustainable nature of the field and the expectations for future research” (Sassmannshausen & Volkmann, 2013, p. 3). In particular, their objective was to test the hypothesis that SE research is a nascent or pre-paradigmatic field (Nicholls, 2010). They found that social entrepreneurship is an established research field, evidenced not only by the growth and pace of growth in the number of publications, but also in the wide spectrum of research topics (Sassmannshausen & Volkmann, 2013, p. 17). However, they also conclude that a dominant paradigm has not yet and may never emerge due to the multidisciplinary and multi-faceted nature of the concept.

Hervieux et al. (2010) argue the case for the institutional legitimisation of SE. They opine that legitimisation using institutional theory and existing norms does not accommodate the role of change by institutional entrepreneurs such as consultants and private foundations, which are influential in co-constructing the SE field. New norms need to be adopted in the legitimisation process. Discourse analysis has been used to determine how these actors claim legitimacy for the SE field as a basis for developing a conceptual model of social entrepreneurship, as shown in Figure 2.1 below. The model illustrates that the discourse legitimises a socio-economic, social initiative type of social entrepreneurship – consonant with this research on how best to achieve financial sustainability.

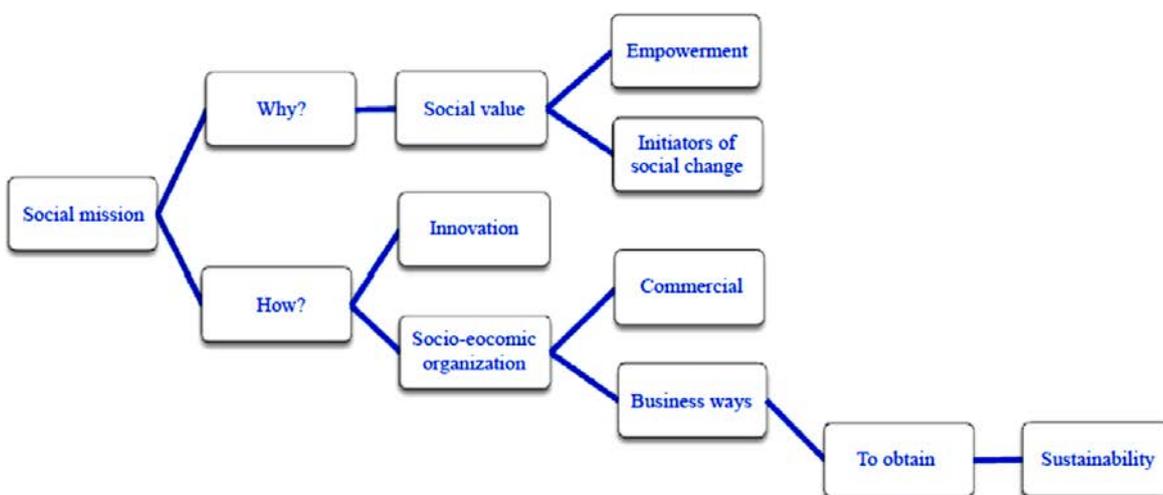


Figure 2.1 – Conceptual model of social entrepreneurship (Hervieux et al., 2010, p. 32)

Notwithstanding the pre-paradigmatic status of the SE research field, this research draws from the rich literature of leading experts in the field in developing a practical solution for the financial sustainability of small-to-medium NPOs and SEs. As such, it aims to progress the field, with particular emphasis on the South Asia region.

SE and social entrepreneurship are used in combination in the above discussion on the status of the SE research field. Although these two concepts are linked by the shared objective of building social capital through hybrid for-profit and nonprofit commercial strategies, it is acknowledged that there are distinctions between the two concepts. Luke and Chu (2013) make the distinction that SE is a form of “social business or venture” while entrepreneurship is about “opportunity identification, innovation, and risk” and social entrepreneurship is about exploiting an opportunity for innovation for social purposes (Luke et al., 2013, p. 765). Chell (2007) similarly views entrepreneurship as an organisational capability that can create social value:

There is no sense of the ‘born entrepreneur’, or the single-minded, confident individual determined to ‘go it alone’. Rather there is a sense of putting together a team with the appropriate skills sets, marketable opportunity and resources to found a sustainable business, whereby social enterprises create value, for example, for the community, whereas entrepreneurial businesses primarily create wealth and accumulate capital growth. (Chell, 2007, pp. 10-11)

In the context of the location of this research in South Asia, it is noteworthy that Yunus (2010, pp. 1-4) argues that his interpretation of *social business* is quite distinct from traditional SE or social entrepreneurship: SE connotes a variety of profit-maximising enterprise, while social business has the goal of solving a social problem using commercial mechanisms. This is an important distinction and goes to enterprise goals more so than means. Acknowledgement of this distinction is evidenced by the growth over the last ten years in research papers on SE, social entrepreneurship and social entrepreneurs as different aspects of the SE phenomenon (Luke & Chu, 2013; Granados et al., 2011; Chell, 2007). This is illustrated in Figure 2.2 below.

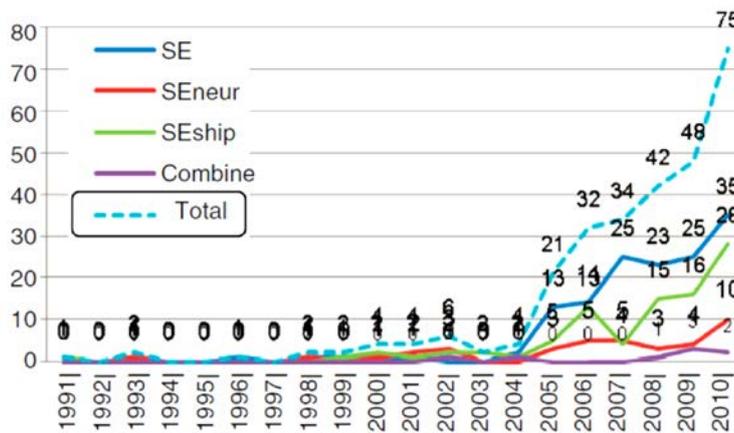


Figure 2.2 – Social enterprise research publications (Granados et al., 2011, p. 203)

In later discussion, SE and social entrepreneurship are therefore examined separately as a business model and a strategy for exploiting opportunities, respectively, specific to the nonprofit sector and aimed at financial sustainability (Ben-Ner, 1986; Hansmann, 1980; Weisbrod, 1975). It is first necessary to review the economic theories of NPOs that have provided a foundation for the emergence of SE.

2.4 Economic theories of nonprofit organisations

The literature on the classical economic theories of the nonprofit sector (Young, 2012; Hansmann, 1987; Ben-Ner, 1986; Hansmann, 1980; Weisbrod, 1975) provides background knowledge on the theoretical lineage of SEs from this sector. These theories can be categorised as either demand-side theories, which conceptualise the role of and need for NPOs, or supply-side theories, which conceptualise the objectives and motivations of entrepreneurs (Valentinov, 2006; Krashinsky, 1997).¹³ Stakeholder theory (Ben-Ner & Gui, 2003; Ben-Ner, 1986) and trustworthiness theory (Hansmann, 1987) explore the mission related conflicts that can arise between the supply and demand side from the perspective of stakeholders and partners.

Weinsbrod’s (1975) demand-side public goods theory finds a role for nonprofits when the market sector and the government sector both fail to satisfy the specific needs of heterogeneous groups because of their focus on public goods designed to satisfy the needs of large

¹³ Some scholars argue that the demand-side and supply-side theories are incomplete, as they do not consider the interactions between supply and demand. They advocate the need for a complete, integrated approach for a holistic understanding of all NPOs in which the various elements relate to each other and clarify the roles of each sector (Valentinov, 2008; Steinberg, 2006, pp. 129-134; Ortmann, 1996). There are a number of contributions on complete or integrative theories of NPOs. Steinberg (2006, pp. 129-134) proposes a framework to clarify thinking on developing complete and integrated theories. Valentinov (2008) and Ortmann (1996) propose theories based on the division of labour and game theory. These are not considered here, as they are not directly relevant to this project.

homogeneous markets or electorates. This has been extended by Kingma (1997) to explain the complexities of the nonprofit sector as it has developed new business models to attract more funds from donors and to allow the commercialisation of additional goods produced by the NPO to cross-subsidise the core NPO goods and services (James & Rose-Ackerman, 2001, pp. 50-62). A donative NPO, in this discussion, refers to one which relies on donated funds, including funds from institutional donors (such as corporations, multilateral institutions) as well as philanthropists and fundraising donations. However, Hansmann (1987) argues that Weisbrod focuses on donative nonprofits and does not explicate the growth of NPOs pursuing commercial activities for financial sustainability by providing goods and services to meet unsatisfied demand for public goods. Issues of information asymmetry and contract failure are also cited as gaps in Weisbrod's theory (Steinberg, 2006; Hansmann, 1990).

Hansmann's (1987) supply-side trustworthiness theory is based on the concept of the "non-distribution constraint", according to which an NPO is "barred from distributing its net earnings if any, to individuals who exercise control over it such as members, officers, directors or trustees" (Hansmann, 1987, p. 28), but profits earned can be utilised for future capacity-building projects. The *non-distribution constraint* contributes to the perception that NPOs are more trustworthy compared to for-profit organisations and it serves as a "crude but effective" consumer protection device (Hansmann, 1994, p. 2, as cited in Ortmann & Schlesinger, 1997, p. 99). Hansmann (1987) argues that the non-distribution constraint can explain some of the shortcomings of Weisbrod's (1975) public goods theory as discussed above. However, Valentinov (2008) contends that the trustworthiness theory has been criticised for its over-reliance on the non-distribution constraint and enforcement effectiveness, and that it defines NPOs by what they do not do, rather than what they do. It is also argued that the theory does not explain why this constraint does not inhibit any and all socially entrepreneurial activities.

Stakeholder theory (Ben-Ner & Gui, 2003; Ben-Ner, 1986) is, in general, consonant with trustworthiness theory and the non-distribution constraint with regard to the stated mission and operations of NPOs, in particular as perceived by stakeholders and partners. This differs from previous theories that dealt largely with the relationships between the NPO, donors and beneficiaries, and ignored the organisational and operational aspects critical in meeting the mission and goals and ensuring sustainability. NPO stakeholder theory focuses on the conflicts, motives and relationships between the internal or supply side (managers, investors, workers, volunteers) and the external or demand side (consumers, sponsors, donors) of product and service stakeholders in order to explain the advent, expansion and behaviour of the nonprofit

sector in response to market failures. The conflict between the motives, the profit maximisation of the supply side and the provisioning of products and services of the demand side drives the formation of organisations by the demand-side stakeholders as a counter to market information asymmetry and contract failure between consumers and providers of goods and services (Ben-Ner & Gui, 2003; Krashinsky, 1997 ; Ben-Ner, 1986). The issue with this theory, argues Krashinsky (1997), is that if consumers had all the information on the products, services and producers to make informed decisions – that is, if there was a perfect market – there would be no requirement for NPOs and, moreover, it ignores the possibility that NPOs could also behave inappropriately with no counter-preventive mechanism. Further, inappropriate behaviour within NPOs could manifest itself due to strict implementation of the non-distribution constraint, as in for-profit organisations (Holmen, 2012; Krashinsky, 2003).

These theories contextualise the emergence of SE as a response to the dilemma of financial sustainability confronting the nonprofit sector. As Steinberg (2006) succinctly characterises: “Economics is the study of choices under scarcity” (Steinberg, 2006, p. 117). To confront these challenges, the nonprofit sector has extended SE business models to attract more funds from donors and to allow the commercialisation of additional goods produced by the NPO to cross-subsidise the core NPO goods and services (James & Rose-Ackerman, 2001, pp. 50-62). The economic theories discussed above therefore need to be considered in developing a practical solution for the financial sustainability of NPOs and SEs.

2.5 Defining social enterprise

As research in the field of SE continues to expand on many fronts, particularly in relation to global growth in the sector, it has become apparent that NPOs and SEs are multidimensional in character and require a multidisciplinary perspective in reviewing the literature. The two key defining characteristics of SEs are identified as: commercial activity to raise financial capital; and social goals primarily aligned with a social and environmental mission and objectives. The profits or surpluses generated are generally reinvested to support the social mission and objectives in the case of NPOs, including nonprofit SEs. However, at a conceptual level SEs have much broader connotations and are subject to debate and interpretation, in particular the hybrid nature of the SE business and organisational model, and observable regional and national variations.

2.5.1 Hybridity of social enterprise

Doherty, Haugh and Lyon (2014) note that the causal effects of the prolonged post-GFC global economic malaise, along with issues of poverty, inequality and environment, have contributed

technology, governance structures, access to consumer markets, financial resources, etc.
(Grassl, 2012, p. 49)

Grassl (2012) postulates that the crux of entrepreneurship is building an effective SE business model and places the emphasis on the business-model design process. This process identifies the components, their relationships and links in order to construct a hybrid business model that will deliver the business objectives and goals. Hybridity is a defining feature of the design. Entrepreneurship combines the various elements into a cohesive hybrid business model. An overarching model of entrepreneurship (Grassl, 2012, p. 43) is developed which accommodates social entrepreneurship as having a specific objective:

Entrepreneurship in this view is not simply a function of coordinating resources or of recognizing opportunities and translating them into profitable ventures. It consists in optimizing a system composed of material and immaterial factors by using practical reason to direct the process towards a final purpose recognized to be good. (Grassl, 2012, p. 43)

The generic business model identifies core content, structure and value proposition. This forms the basis of a typology of an SE business model classified by mission orientation (mission centric, related or unrelated), type of integration (embedded, integrated or external to the business) and target market (population, government contracts, third party payer, B2B commerce or general public) (Alter, 2007, as cited in Grassl, 2012, pp. 44-48).

Alternatively, Borzaga et al. (2012) interpret the SE role as both to produce goods and services to meet human needs and at a minimum to break even financially to ensure financial sustainability. The typology based in this interpretation parallels that of Alter (2007) but draws attention to the constraining factors on either side of the continuum, notably the economic and financial constraints on the SE, as shown in Figure 2.4 below.



Figure 2.4 – Borzaga’s typology (Borzaga et al., 2012, p. 404)

2.5.2 Regional and national variations

A further challenge in arriving at a definition of SE are the variances in political, social, economic and legal systems across geographical regions: the Americas, Europe, Africa, Asia and Oceania (United Nations Statistics Division, 2017). This is symptomatic of new phenomena such as SE, which is experiencing rapid growth and in which practitioners, managers and entrepreneurs are leading the evolution – not researchers. Doherty, Haugh and Lyon (2014), Borzaga et al. (2012) and Defourny and Nyssens (2010) all draw attention to regional differences in concepts, models and practices of SE and social entrepreneurship. In the USA, SEs commonly generate income through market-based mechanisms, whereas in Europe, a cooperative, collective social-action model is more common and in the UK it is more often a hybrid of the US and European models for income generation (Doherty et al., 2014; Borzaga et al., 2012; Defourny & Nyssens, 2010). Kerlin (2006) draws attention to the broader perspective of SE as entities on a continuum ranging from for-profit organisations engaged in social programs (CSR, corporate philanthropy) to social business organisations with the dual goals of profit-making and social goals (hybrids) and to nonprofits engaged in commercial ventures to support the social mission as characterised above.

Kerlin (2010) acknowledges the regional variations in definitions and concepts of the SE phenomenon, and notes a gap in the extant literature which does not address or explain how the influence of regional factors has “shaped the kind of need, purpose, activity, organisational form, legal structure, and process involved in its creation and realisation” (Kerlin, 2010, p. 165). Most of the early literature on SE focuses on a particular region or country, and/or individual innovative social entrepreneurs with celebrity status. Kerlin (2009) addresses this gap by

drawing on social origins theory¹⁴ and with her research on global comparisons of SEs. According to this theory, the contexts and regional/national differences in the development of the nonprofit sector constrain social institutions and models. Kerlin uses this as the basis for a comparison of SE across seven regions. This study is significant in the sense that it is more global than previous studies, which were US and European centric. What is most noteworthy is the inclusion of the South-East Asia region (Kerlin, 2009, p. 192). The inclusion of Bangladesh in South-East Asia is prompted by Santos et al.'s (2009) study of organisational forms of SE in South-East Asia (included as a chapter in Kerlin's 2009 book¹⁵) which includes references to the Grameen Bank and Bangladesh Rural Advancement Committee (BRAC). It is noteworthy that there is no reference to India, which is a powerhouse of SE (Kerlin, 2010). In this research, Bangladesh is included as part of the South Asia region (World Bank, 2015), which also includes India and Sri Lanka.

Defourny and Nyssens's (2012) discourse on the EMES¹⁶ perspective on SE recasts the SE indicators proposed by Defourny (2001)¹⁷ into three dimensions, based on a comparison with the US perceptions. The first is the economic and entrepreneurial dimension, which has the following characteristics:

- Producing goods and services for the community it serves is the core mission of the SE.
- Securing financial sustainability and resource acquisition is a prime organisational objective and there are existential risks of not achieving this.
- Volunteers constitute a significant component of the human resource requirements of the SE.

The second dimension is social, which has the following characteristics:

- The core value is to serve a community/specific group while instilling a sense of social responsibility.
- The SE is the result of a group with a shared understanding of a well-defined need that is consistent over a period of time; leadership – collective or individual – is a critical dimension of the SE.
- Profit-making and distribution are permitted within limits, but profit-making per se is not.

¹⁴ Kerlin (2010) draws on and cites Salamon et al.'s (2000) and Moore's (1966) explanations of social origins theory.

¹⁵ Kerlin (2017) also omitted South Asia.

¹⁶ EMES is not expanded on the organisation website, but originally stood for Emergence des Entreprises Sociales en Europe.

¹⁷ There are four economic indicators and five social indicators (Defourny, 2001).

The third dimension is participatory governance, which has the following characteristics:

- This is an autonomous governance model, with no involvement from public or external organisations that may be sources of funding.
- The democratic decision-making process is not influenced by any preferential weighting system.
- There is participation of all stakeholders involved in any particular project activity.

These EMES dimensions of an SE broadly resonate with this researcher’s experiential knowledge of micro and small NPOs and SEs. However, there is sharp variance between the autonomous governance model of the EMES model and the significant involvement of external agencies in the South Asian context. In general, governance models of micro and small NPOs and SEs are influenced by external agencies such as donors, the corporate sector (CSR programs) and government regulatory frameworks (Sidel & Zaman, 2005).

The South Asia region also has its own unique regional characteristics in contrast to South-East Asia and needs to be included as a separate entity in studies on SE, thus providing a rationale for this research project’s choice of research location. Building on her previous research, Kerlin (2013) has developed a conceptual framework (see Figure 2.5 below) to explain the regional and national differences in definitions and concepts of SE.

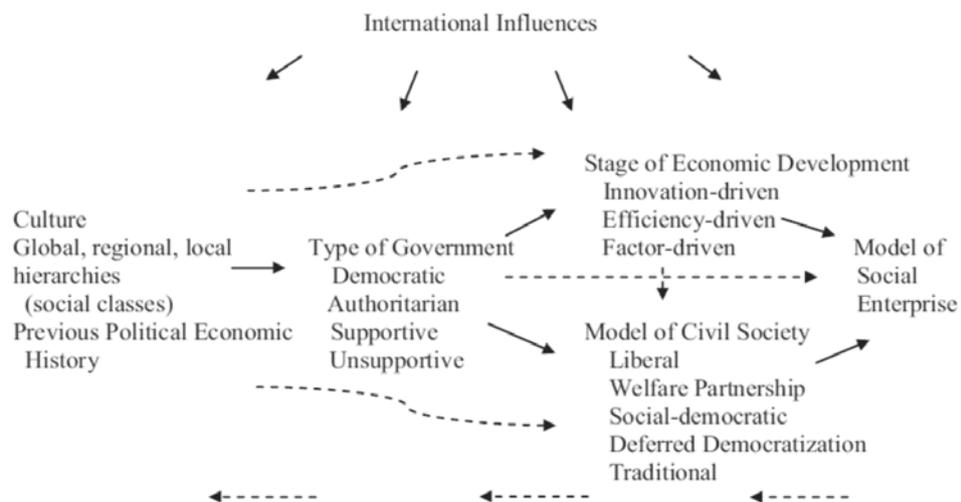


Figure 2.5 – Regional and country differences in SE (Kerlin, 2013, p. 88)

Using both a qualitative and quantitative conceptual framework, Kerlin (2013) identifies the macro-level institutional processes, links and factors that shape SEs. Her conceptual framework is validated by empirical data from five countries (the USA, Sweden, Italy, Argentina and

Zimbabwe). In a subsequent quantitative study by Monroe-White, Kerlin and Zook (2015) to test Kerlin's (2013) macro-level institutional conceptual SE framework, the analysis sought to determine whether the size of the SE sector is country dependent and whether this can be explained by the national institutional factors in the framework (Monroe-White et al., 2015).¹⁸ Alter's (2007) typology (refer Figure 1.1, p. 3) underpinned the study. The findings confirm the validity of the framework for the first proposition and partially support the second, in particular that lower economic competitiveness, a larger welfare state and lower collectivist values result in a larger SE sector (Monroe-White et al., 2015, p. 190). However, Kerlin (2013) acknowledges the need for further research to include Asian and Middle Eastern countries and others to validate the groupings, or include new groups such as South and South-East Asia, and to then identify new models.

In a study of SE in Australia, however, Mason and Barraket (2015) contend that the magnitude of Kerlin's study led to overgeneralisation between countries with similar political and economic structures and histories. The variance in political and economic environments in countries of the European Union (EU) and Asia does not lend itself to a broad classification as in Kerlin's conceptual framework. This is even more so in the South Asian countries, where the differences in economic, political and historical environments are more pronounced, compounded by recent wars and conflicts, and devastating natural disasters. In the context of these countries and other developing countries, apart from the international influences on the conceptual framework, the impact of centuries of colonialism (Ziltener & Künzler, 2013) needs to be considered as a distinct international influence in such comparative studies.

Based on the findings of a two-phase research study on Australian SEs (Mason & Barraket, 2015), it is argued that, while Kerlin's (2013) macro-level conceptual framework provides a basis for the categorisation of SEs, there is a need to extend this by applying country-specific micro-level factors, thus "offering a clearer overview of different influences that 'shape' social enterprises" (Mason & Barraket, 2015, p. 151). This finding is echoed by a similar study of the Spanish SE environment based on Kerlin's framework (Fisac & Moreno-Romero, 2015). Accordingly, section 2.8 explores the specific macro-institutional context of SE emergence in India, Bangladesh and Sri Lanka.

¹⁸ "Does size of social enterprise vary by country? The size of the social enterprise sector will be larger in countries with a strong civil society sector; strong governance system; low uncertainty avoidance and collectivist values; high economic competitiveness; and more international aid" (Monroe-White et al., 2015, p. 190).

Drawing on the frameworks and concepts discussed above, I have developed a working definition and typology for the central elements of this research as follows: an *SE* is an organisation “seeking business solutions to social problems” (Thompson & Doherty, 2006, p. 362; see also Doherty et al., 2014). Further, the study is focused on small-to-medium nonprofits and SEs that belong to the social value creation group in the typology proposed by Alter (2007), as illustrated in Figure 1.1, p. 3.

The next section examines the literature on social entrepreneurship. The twin dimensions of SE activity – social and commercial – and the distinction between entrepreneurship and social entrepreneurship have been previously discussed (Luke & Chu, 2013). Burkett (2016) maps a continuum of viability and sustainability, and the conditions for moving along the continuum. The capacity to meet these conditions is a function of social entrepreneurship. In this way, the business model of SE and the strategy of social entrepreneurship play complementary yet distinct roles in achieving financial sustainability through long-term impact viability. Further, it is argued that any assessment of SE sustainability must start and end with an assessment of impact viability (Burkett, 2016).¹⁹

2.6 Defining social entrepreneurship

Chell (2007) acknowledges the plethora of definitions of social entrepreneurship (as outlined in section 2.3 above), and the lack of scholarly agreement on a single definition. Moreover, SEs large and small, irrespective of the status of their founders, should be sustainable in the long term in order to claim legitimacy and create social value. This requires that SEs need to be entrepreneurial to meet bottom-line performance indicators. From this perspective, entrepreneurship is applicable to both for-profit and SE organisations. In the current competitive environment for funding from external sources, SEs’ dependence on grants is no longer sustainable. The need to adapt social entrepreneurship in both income generation and social endeavours is an imperative (Chell, 2007, pp. 17-18). Burkett (2010), in analysing the financial needs of SEs, has developed a model of the four life cycle phases of SE development: start-up phase (moving beyond grant cultures); development phase (moving towards viability); growth phase (building strength and impact); and maturity phase (towards sustainability) (Burkett, 2010, p. 13). The underpinning requirement for SEs in transitioning to the maturity/sustainability stage is entrepreneurship, that is, social entrepreneurship. This is more so in the case of

¹⁹ Burkett’s (2016, n.p.) continuum moves through six phases: ensuring best fit for impact; ensuring a viable business; covering costs/breaking even; generating a surplus; building equity; and maximising enduring impact.

MSMSEs, whose financial sustainability is the focus of this research. In this context, it is therefore relevant to study the extant literature on social entrepreneurship in its own right.

The genesis of social entrepreneurship can be traced back to the eighteenth and nineteenth centuries. Entrepreneurs such as Vinod Bhave in India, Robert Owen and Florence Nightingale in the UK and Susan Anthony in the USA (Bacq & Janssen, 2011; Seth & Kumar, 2011; Shaw & Carter, 2007; Roberts & Woods, 2005) established organisations with a social mission to address social issues and build social capital using business methods, decades before the current phenomenon of SEs and social entrepreneurship emerged. The terms *social entrepreneurship* and *social entrepreneur* that have emerged in the last two decades have been the subject of extensive research by scholars, academics, practitioners and policymakers from around the world since the early 1990s and continue to be so. However, as with SE, there is no unanimity in the definitions or the associated concepts.

Bacq and Janssen (2011) note that interest and academic research in social entrepreneurship have grown, evidenced by the number of conferences and academic books and other publications on the topic. Innovative solutions to addressing social problems and the emergence of hybrid business models with a dual mission – social and economic – in particular to address the financial sustainability issues of nonprofits, are reasons for the growing interest in social entrepreneurship. However, as with SE, serious research in social entrepreneurship requires clarity and precision in definitions, establishing measures of success, rigorous empirical research and a multidisciplinary approach (Bacq & Janssen, 2011; Cukier et al., 2011; Dacin et al., 2010; Peredo & McLean, 2006). Peredo and McLean (2006) acknowledge the wide array of definitions of social entrepreneurship and the need for clarity in definitions and concepts, and suggest a flexible concept of social entrepreneurship as a person or group with the following attributes: the aim of creating social value; the capacity to recognise and exploit opportunities; innovation; the propensity for reasonable risk-taking to build social capital; and resourcefulness (Peredo & McLean, 2006, p. 64). These attributes are subjects of investigation in this research.

Bacq and Janssen (2011) argue that, to better understand the social entrepreneurship phenomenon and legitimise the nascent research field, it is necessary to clearly define the concepts of *social entrepreneurship*, *social entrepreneur* and *social entrepreneurship organisation*. The current state of social entrepreneurship research mirrors the early developmental stages of its parent field of entrepreneurship. Drawing from the literature across different geographical regions and schools of research, social entrepreneurship is being examined along three dimensions: discursive (cultural, ecological and civic); social (involving

multiple actors and stakeholders); and geographical (between nations, regions). The analysis identifies three current strands of social entrepreneurship: social innovation; SE schools in the USA; and the Defourny and Nyssens (2008) EMES international research network approach (Bacq & Janssen, 2011, p. 381). Using Gartner's (n.d.) four-dimensional conceptual framework for new venture formation to identify differences between these schools of thought, Bacq and Janssen (2011) conclude that there are no clear lines of demarcation in the approach to definitions of social entrepreneurship between the schools of thought. However, it is proposed that all definitions must at least recognise the conflict between social goals and market-based commercial activity. Social entrepreneurship is defined thus: "the process of identifying, evaluating, and exploiting opportunities aiming at social value creation by means of commercial, market-based activities and of the use of a wide range of resources" (Bacq & Janssen, 2011, p. 388).

Dacin, Dacin and Tracey (2011) and Dacin, Dacin and Matear (2010) advocate the location of social entrepreneurship research as a context within other forms of entrepreneurship. This proposition is the outcome of a detailed evaluation of social entrepreneurship research in the extant literature, to identify the different concepts and definitions from acknowledged scholars in the field. Tabulation and analysis of the definitions of social entrepreneurship suggest that these definitions are focused on four characteristics: the entrepreneur; mode of operation; processes, resources and resource acquisition; and mission and outcomes of the entrepreneur. The focus on the entrepreneur underpins many of the definitions and dominates discourses on social entrepreneurship. Moreover, the discourses are mostly based on individual case studies, the findings from which could be deemed biased and lacking in generalisability (Dacin et al., 2010, pp. 38-42). These authors propose that it would advance research on social entrepreneurship if the field was considered a unique context under the umbrella of entrepreneurship, as this would provide opportunities to investigate how existing theories and concepts of entrepreneurship apply to the SE phenomenon. In arguing that social entrepreneurship is a unique context within the broader current forms and disciplines of entrepreneurship, the authors contend that SEs are the organisational expression or result of social entrepreneurship. Chell (2007), in her contribution to the discourse on SEs and entrepreneurship, argues that entrepreneurship should include all sectors – private for-profit and nonprofit.

Three principal forms of entrepreneurship domains – conventional, institutional and cultural – are compared to social entrepreneurship along the two dimensions of mission and process, or

resources, thereby identifying areas for future research in social entrepreneurship, in particular focusing on resources, which are key to sustainability. Noting that social entrepreneurship literature concentrates on internal and controllable factors that can be leveraged for resource acquisition, and not those factors external to the organisation which offer enhanced opportunities to acquire resources, Dacin et al. (2010) make the following suggestion:

We suggest that incorporating greater attention to external resources will contribute to a greater understanding of conventional entrepreneurship. Furthermore, we believe that the extent to which social entrepreneurs are able to use unique competency-based factors to focus on and engage these external resources is a distinguishing aspect of social entrepreneurship. (Dacin et al., 2010, p. 48)

Researchers and practitioners would benefit and this would open new opportunities if research obtained insights into how social entrepreneurs could leverage the three external resources: relational (social capital and social skills); cultural (“norms, values, roles, language, attitudes, beliefs, identities, and aesthetic expressions of a community”); and institutional (“political, legal, and institutional infrastructure from which individuals can draw”) (Dacin et al., 2010, pp. 48-50). Two other areas that are recommended for further research are managing the resistance to change which is inherent in SEs due to their dual and conflicting missions, and investigating the anatomy of failed SEs to better understand the roadblocks to success.

Weerawardena and Mort (2001), based on studies of the aged care industry, contend that NPOs which exhibit social entrepreneurship gain competitive advantage through strategies that deliver superior social value, and not superior profits. They postulate a theoretical model comprising social entrepreneurship and learning capabilities, and evaluate the effects of innovation in gaining sustainable competitive advantage (SCA). Their theoretical model construct is based on four themes: strategic leadership; learning capabilities; organisational Innovation; and SCA. It is argued that NPOs can exhibit entrepreneurial behaviour by being innovative and proactive, and through a high threshold of risk-taking. These behaviour patterns need strategic leadership, education and training of leadership teams to be entrepreneurial in decision-making in order to facilitate the transformation to an entrepreneurial organisation.

There are, in addition, research contributions postulating unifying multidimensional theoretical models of social entrepreneurship. Weerawardena and Mort (2006) argue that all the literature is bound by particular domains and narrow empirical studies. They identify seven themes: “environmental dynamics, innovativeness, pro-activeness, risk management, sustainability,

social mission, and opportunity seeking and recognition” (Weerawardena & Mort, 2006, p. 21). These themes are integrated to develop a social entrepreneurship model (see Figure 2.6 below) in which social entrepreneurship creates social capital along three dimensions: innovative, proactive and risk-management behaviour.



Figure 2.6 – Social entrepreneurship model (Weerawardene & Mort, 2006, p. 32)

These behaviours are restricted by the need to fulfil the social mission and ensure the sustainability of the organisation within the environmental dynamics in which it operates (Weerawardena & Mort, 2006, p. 32).

Dacin et al. (2011, p. 1205) critique the “heroic characterisations” of social entrepreneurship that have emerged in the literature on the basis that these fail to capture the process dimension, in particular processes of failure and learning, as well as the processes suggested by Weerawardena and Mort’s (2006) model. The authors suggest that a working definition of social entrepreneurship should focus on “the primary mission of the social entrepreneur being one of creating social value by providing solutions to social problems” (Dacin et al., 2011, p. 1204). They conclude that “a focus on outcomes (positive and negative) and context constitutes the most meaningful way of understanding the term, both theoretically and empirically” and identify two sets of outcomes of social entrepreneurship – social and economic – which, while held in balance, are also in a hierarchy that places the social outcomes first (Dacin et al., 2011, p. 1205).

As can be seen from the above discussion, the concept of social entrepreneurship, as with SE, is still evolving informed as much by practice as by research. This research draws on the literature to identify a set of themes and to develop the research questions. In addition, Weerawardena and Mort’s (2006) “bounded multidimensional model of social entrepreneurship” forms part of

the conceptual framework (see Figure 2.9, p. 63) of the research because it offers the flexibility and scope for developing a sustainability strategy based on social entrepreneurship.

The question then arises as to how to sustain SEs. The next section explores sustainability in the SE sector, with a particular focus on financial sustainability.

2.7 Financial sustainability and the nonprofit sector

Since the 1980s, the crucial issue of sustainability continues to be one of the most critical challenges confronting the nonprofit sector. Burkett (2016) argues that sustainability is about the longevity of the organisation along two dimensions: financial sustainability and the impact of the social purpose over a period of time. A key dimension of the sustainability paradigm is that of financial sustainability, in particular the question of how to achieve financial sustainability in order to manage and sustain projects for extended periods in a complex, competitive and unpredictable environment (Huggett, 2009; Landsberg, 2004). This challenge is compounded by a “potent mix of new challenges to what was an already complex set of issues” (Anheier, 2009, p. 3). These include societal loss of trust in the sector, diminishing sources of funding due to government debt, stagnation of the corporate sector, diminishing household finance as a source of donations (Gassman et al., 2012) and loss in the asset value of philanthropic organisations’ holdings. Moreover, small NPOs find it difficult to compete for funds against the large NPOs that spend millions on high-profile media fundraising campaigns with stereotyped images of the developing world (Lamers, 2005).

Literature on the sustainability of NPOs reveals that the term takes on different interpretations depending on different actors and their particular interests. Salvado (2011) observes that “Variables such as management ability, internal governance, strategic thinking, ability to renovate, transparency, and accountability should also be taken into account in social purpose organisation (SPO) sustainability analysis” (Salvado, 2011, p. 79). Following is a brief review of some of the literature on the topic of nonprofit sector sustainability.

In a study of resourcing of SEs, Barraket, Barth and Mason (2015) comment that, while there is growing interest in social finance and impact investment, there is scant knowledge about SE sustainability and resilience. In particular, there is a paucity of studies on how SEs garner financial and other resources to ensure the sustainability of the organisation:

Organisational sustainability is a necessary component of successful SE, but not an end in itself. In this report, we assume that organisational sustainability in general – and financial

resilience, in particular – support SEs to generate social impacts consistent with their missions. Financial resilience is an organisation’s capacity to access financial opportunities and weather shocks that generate financial challenges. (Barraket et al., 2015, p. 4)

The study, based on SEs located in Western Australia, addresses a critical issue that confronts social entrepreneurs and managers: how much time and resources should be spent on the components of the hybrid model of a social and market orientation? This is, of course, a question of effective management of resources. Three broad strategies, along with the risks and challenges of each, are proposed for effective management for sustainability: separate social and commercial missions; integrated social and commercial missions; and building alliances with for-profit businesses (Moizer & Tracey, 2010, as cited in Barraket et al., 2015, p. 6). These strategies are subject to the country-specific contextual factors as in Kerlin’s (2013) conceptual framework, particularly with respect to regulatory and financial compliance. The authors’ discourse on the drivers of resourcing behaviour, specifically the institutional environment, origin of the SE, legal form and governance, type and purpose of the SE, and organisational identity, offers a framework for enquiring into the sustainability issues of SEs.

Dacin et al. (2010) point out that the literature on entrepreneurship has previously focused on resources internal to and controllable by the organisation, and lacks discussion of the availability of resources external to the organisation. In the case of SEs, some of the barriers to accessing external resources are the macro economic environment within which the SEs operate, regulatory requirements, taxation and social infrastructures (Dacin et al., 2010, p. 48). Another important contribution is the articulation of the barriers to SEs accessing external finance. As discussed earlier, drawing on external resources (Dacin et al., 2010, p. 48) has not been a feature of SE resourcing in the past, sometimes due to a reliance on the individual social entrepreneur. However, with the current global economic uncertainty, tapping into external financial resources is now recognised as critical to financial sustainability. It is suggested that, while not all SEs are small, there are parallels between small businesses and SEs with respect to challenges in accessing external finance, specifically: information asymmetry; transaction costs; skills and experience; formal business structure; legitimacy challenges; board structure; and culture. To build financial sustainability, it is recommended by Barraket et al. (2015, p. 14) that SEs should focus on the following areas:

- “Reviewing resource strategies”: undertake a critical evaluation of current strategies based on their origin and past lessons learnt to identify those that hinder accessing other forms of finance; develop and implement alternate financial strategies.

- “Bootstrapping and bricolage”: understand the implications of both for the financial sustainability of the organisation through different stages of development.
- “The role of boards and governance models”: understand whether the current board and governance structures restrict or enable external financing options for sustainability.
- “Financial products/services for SEs at growth and expansion stages”: evaluate and access financial resources for growth, expansion and sustainability beyond the start-up phase.

A Rand Corporation report (Sontag-Padilla et al., 2012) reviewed the literature on financial sustainability for NPOs as part of a critical assessment of the effectiveness of Young Men’s Christian Association (YMCA) programs in the Pittsburgh area and proposed models for financial sustainability, in particular for NPOs that are “low-resourced” and operate in “high-need” and “low-income” populations. Financial sustainability is defined as the:

ability to maintain financial capacity over time (Bowman, 2011) and the goal of financial sustainability is to maintain or expand services within the organisation while developing resilience to occasional economic shocks in the short term (e.g. short-term loss of program funds, monthly variability in donations). (Sontag-Padilla et al., 2012, p. 2)

The review identifies key challenges that confront NPOs in relation to financial sustainability: the risks of relying on external funding; establishing a brand as a nonprofit; external expectations, especially of partners; demands for value and accountability; and effective community engagement and leadership. Strategic responses to each of these challenges to financial sustainability are discussed (Sontag-Padilla et al., 2012, pp. 7-19). The report recognises that the above challenges are much more acute when compounded by multiple issues such as economics, socio-cultural issues, education skills, civil strife and gender. In low-income and high-need communities like those in South Asia, where such problems are more acute, NPOs need a coordinated approach on multiple fronts to ensure financial sustainability in order to maintain or grow their social mission programs. In response, the authors have developed a conceptual model for promoting financial sustainability (see Figure 2.7 below) for NPOs operating in such communities, which is relevant to this research.

The report suggests that research and literature on the financial sustainability of low-income groups and communities in significant need are sparse. This is more so in the case of MSMSEs in South Asia. Sontag-Padilla et al. (2012, pp. 20-26), in discussing the financial sustainability of the

NPO sector servicing low-income groups, nominate economic challenges, lack of education, health, housing facilities, crime and safety issues, and underdeveloped business and community development as barriers to financial sustainability. In the case of similar NPO organisations in South Asia, the barriers to financial sustainability are no different but their impacts are compounded by the contextual factors, such as caste, religion, gender bias, the hierarchical system of organisational management particular in the public sector, the maze of regulatory frameworks and suspicion of organisations supported by foreign sources (stemming in particular from advocacy organisations). The report recommends that research on financial sustainability and the maturity of NPO organisations providing goods and services to low-income groups should provide leaders with evidence-based, best management action strategies for sustainability and growth. The objective of this research is to develop such a strategy for MSMSEs in South Asia.

Figure 3.1. A Conceptual Model of Financial Sustainability Challenges and Promising Practices for Nonprofits Serving Low-Income Populations

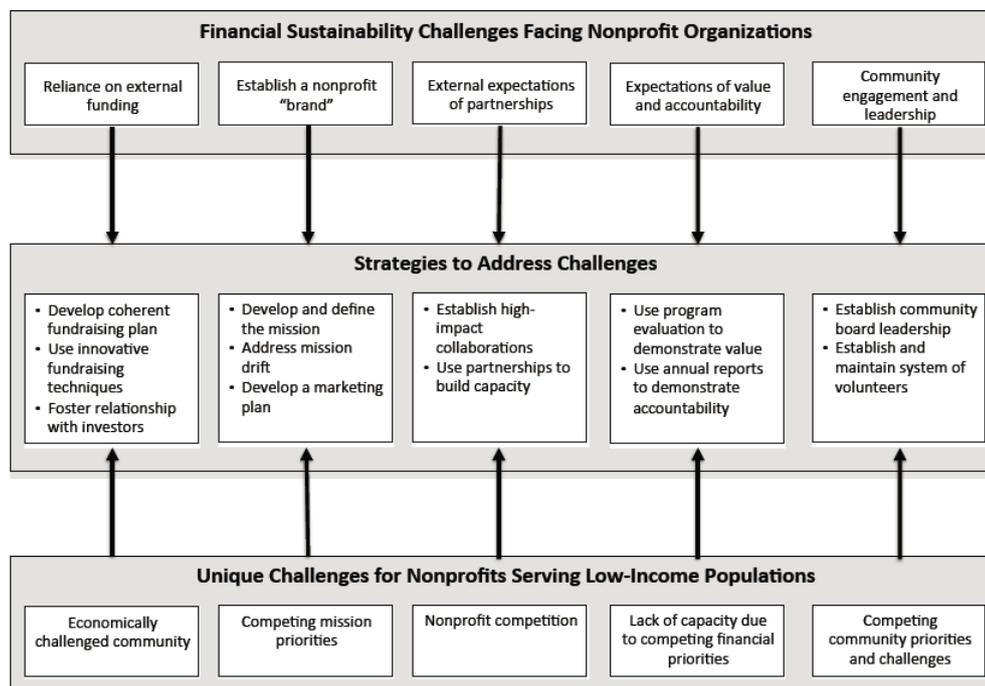


Figure 2.7 – Conceptual model of financial sustainability challenges (Sontag-Padilla et al., 2012, p. 21)

Weerawardena et al. (2010) conclude that their extensive literature review of organisational sustainability and the impact on the strategic characteristics of NPOs fails to articulate the broad perspectives of the strategies that NPOs adopt for continued and long-term sustainability. Their study was based on qualitative case studies of ten Australian socially entrepreneurial NPOs. The

research problem analysed was: “how does the need for building a sustainable enterprise impact the strategy focus of nonprofit organisation?” (Weerawardena et al., 2010, p. 348). They suggest that the drive to sustainability has led to “business-like strategies”, “operational strategies” for the organisation as a whole and “multiple innovative strategies” (Weerawardena et al., 2010, p. 351). Following on from the above study, later research undertaken by McDonald, Weerawardena, Madhavaram, and Mort (2015) into the types of strategies adopted by NPOs for sustainability, led to the development of a “sustainability typology” (p.975) of NPOs drawing on exemplars of successful nonprofits who have confronted the challenge of the double bottom-line (money and mission) and long-term financial sustainability. The typology is premised on the double bottom-line, and resource advantage theory which posits that value and efficiency (cost) are key drivers of competitive advantage. McDonald et al. (2015) interpret this for the nonprofit sector in a four quadrant framework as relating to fiscal performance (low / high) and social need (low / high). Strategies are identified for each of the four combinations of these attributes (p. 976) as found in any organisation seeking to improve its sustainability. The authors state that the proposed strategies for each combination are not mutually exclusive and can be combined while ensuring management cognisance of compatibility and complementary requirements. The typology provides a useful guideline with specific example strategies however in the case of the target group for this thesis, needs to be further qualified by what Sontag-Padilla et al. (2012, p.21) refer to as the “unique challenges for nonprofits serving low-income populations” as shown in Figure 2.7 above.

Bell et al. (2010, pp. 11-14) posit that the financial sustainability and programmatic sustainability of NPOs are two inseparable strategic imperatives for NPO sustainability overall, and that very few NPOs acknowledge the imperative to integrate the development and reporting of the two. Emphasis is also placed on the proposition that sustainability is an orientation, not a destination. Changes in the environment dictate that decision-makers in NPOs cannot afford to sit back assuming that the strategies formulated at a particular time will ensure continuous availability of resources, due to changes in programs, funding sources or recipient communities. However, a sustainability orientation ensures readiness to adapt sustainability strategies.

The literature on sustainability discussed above shares a commonality in that it recognises that NPO sustainability is multidimensional and the dimensions are interdependent. However, given the current economic climate, the emphasis on financial sustainability through entrepreneurial business models is a key message that will be taken up in this research. The literature is a rich source of information on how to approach the issue of sustainability in designing an SE business

model while reiterating that commercialisation is a viable approach. This proposition – that NPO organisations need to adapt entrepreneurial business models in order to ensure sustainability, and in particular financial sustainability – is acknowledged by both practitioners and scholars. The challenge for practitioners (including this researcher who is also a practitioner) is how then to operationalise entrepreneurship within the organisation. The competition for resources (human and financial) is acute between the larger NPO organisations. This leaves the MSMSE organisations at the bottom of the pyramid competing for a diminishing resource pool. Financial sustainability in these organisations means accessing funds for their social mission projects and funds for sustaining their organisational operations. The same goes for accessing the appropriate human resources, be they volunteers or paid staff. These issues accentuate that MSMSEs need to formulate strategies that are innovative and lead to differentiated entrepreneurial SE business models (Weerawardena & Mort, 2012).

For the purpose of this research, based on the literature, the following working definition of financial sustainability is therefore adopted: *financial sustainability* is the ability of an SE organisation to generate all or a significant part of the revenue it needs in order to achieve the social mission consistent with its system of values (Alter, 2003, p. 73). This definition is consistent with the objective of the research to find a solution to financial sustainability for small-to-medium NPOs within the social value creation group of Alter's (2007) sustainability equilibrium typology (Figure 1.1, p. 3).

2.8 Locating the research

This section locates the research both geographically, and in relation to the extant literature as discussed above. The gap in the literature which emerges from the above discussion and to which this research is aimed is first and foremost contextual, that is, relating to developing countries. The gap is both empirical and theoretical. The empirical gap relates to the lack of research *on* developing countries, as well as the lack of an established disciplinary field of study *within* developing countries. The theoretical gap derives from the different origins of the SE sector for example in the EU (cooperatives and mutual sectors) versus South Asia (nonprofit sector), and the emergence of current theory from the commercial rather than nonprofit sectors. These gaps are discussed here. This section also includes a contextual profile of the three countries that are the subject of this research to further elaborate the nature of the gap.

One of the most notable gaps in the SE research phenomenon is the paucity of research on SE in the developing world, particularly in rising economic power centres such India and China. In

Granados et al.'s (2011) bibliometric analysis of the distribution pattern of SE literature, the majority (61%) was from the UK and USA and the top seven were from developed countries. Asia, Africa and South America contributed only 10 per cent, India and China only 2 per cent (see Figure 2.8 below). However, there are indications that collaborations between developed and developing countries are increasing and slight changes in the patterns can be observed (Sassmannshausen & Volkman, 2013; Granados et al., 2011).

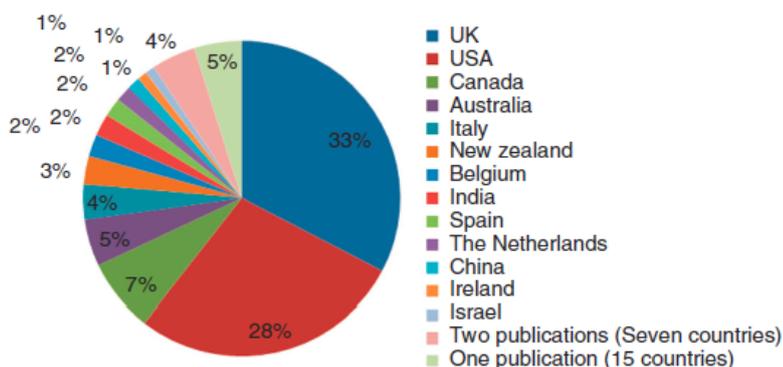


Figure 2.8 – Distribution of SE research papers by country (Granados et al., 2011, p. 205)

This paucity of in-depth studies of the nonprofit sector specifically in the developing world, notwithstanding the phenomenal growth of the sector in Asia, Africa and Latin America, has been commented on by leading scholars (Doherty et al., 2014; Kerlin, 2009; Salamon & Anheier, 1997). Since Sidel's (2001) review essay on the status of research on the nonprofit sector in India and South Asia, research on Asia's nonprofit sector has grown over the last decade but at a slow pace (Hasan, 2015; Seth & Kumar, 2011; Lyons & Hasan, 2002). This mirrors the status of research in the wider field of social science research in India and South Asia (Krishna & Krishna, 2010).

While there is an increasing focus on developing countries in recent years, gaps in knowledge of the NPOs in developing countries exist at both the descriptive information level and the conceptual level (Dacin et al., 2011). The majority of theories on the nonprofit sector have been created in the context of the developed world. Further, there have been differences in the postulations between Europe and American organisations (Doherty et al., 2014; Defourny & Nyssens, 2010). Galera and Borzaga (2009) discuss variations between European and US concepts and models of SE and social entrepreneurship, and ultimately arrive at a European based definition precisely because it allows for national differences. While in the European context the SE lineage is from the cooperative and mutual sectors, its origin in the South Asian context is the nonprofit sector. In both contexts, business models and practices have been

adapted from the private commercial sector. Similarly, Hackett (2010) challenges several generic propositions relating to the role of SEs vis-à-vis government and the market, using Bangladesh as an illustration, and concludes that they do not hold true for Bangladesh and therefore might not offer a satisfactory explanation of SE in other developing countries. She argues for a country- and context-specific approach to SE discourse and debate.

This raises the question as to whether the current theories on nonprofits can be retrofitted to the developing world. Doherty et al. observe that: “There is also a geographical bias, although this is partly explained by the nature of the existing peer-reviewed research outputs. Literature on SE is largely Western and, given the importance of SE developments in Africa and Asia, this is a gap that future studies should aim to address” (Doherty et al., 2014, p. 15). Similarly, in her seminal comparative research on SE across different jurisdictions, Kerlin (2009)²⁰ has shown the effects of contextual and socio-economic factors of the region/country in shaping the concepts, terms and theories of SE. What is most noteworthy is the inclusion for the first time of the South-East Asia region in this comparison (Kerlin, 2009). However, as mentioned earlier this group does not include India, which is a growth area of SE (Kerlin, 2010). Moreover, the South Asia region has its own unique regional characteristics in contrast to South-East Asia.

This empirical gap, together with the conceptual variations even within the developed world context, also pose a challenge for the researcher in arriving at a definition for the purpose of establishing boundaries for the research and for organisational sampling. For this reason this research is located first, according to Alter’s (2007) typology, which allows for the “rich mosaic of highly differentiated and creative examples of SE” (p. 1), in the social value creation space on his continuum. The key defining characteristics of SE are identified as the dual goals of market activity to build financial capital and the pursuit of social goals to build social capital, primarily aligned with a social and environmental mission. The profits or surpluses generated are generally reinvested to support the social mission and objectives. In relation to social entrepreneurship, this is understood as adopting entrepreneurial practices such as innovation and opportunity recognition (Luke & Chu, 2013; Chell, 2007). This does not preclude SEs from adopting entrepreneurial practices in resource acquisition for sustainability, given the current resource-constrained economic environment, without compromising their social mission. There are enterprising nonprofits that have adopted hybrid business models (Jager & Schroer, 2014).

²⁰ See also Kerlin 2017, 2013, 2010.

Notwithstanding the voluminous literature on the nonprofit sector, there exists a chasm in understanding the heterogeneity caused by the rapid and phenomenal growth of the sector, especially in the developing world. Ignoring the heterogeneity of the sector in factors such as purpose (advocacy, developmental, community-based, nonprofit, voluntary-based), region (northern NGOs, southern NGOs), demographics (urban, rural), religion, size and numerous other variations has led to generalisations and a one-size-fits-all approach in the literature (Doherty et al., 2014; Kerlin, 2013; Sama, 2009). In order to provide a more detailed background on the SE landscape in the three countries selected for this research, Kerlin's (2013, 2017) Macro-institutional Social Enterprise (MISE) framework is applied below as a guide to understand the historical and macro-institutional drivers that shape SE in each country. This serves to further highlight the need to bridge this empirical and theoretical gap in research on SE financial sustainability in the South Asia region and its individual countries.²¹

Kerlin's framework has been tested empirically both qualitatively (Kerlin, 2009, 2017) and quantitatively (Monroe-White & Coskun, 2017). It is beyond the scope of this research to quantitatively apply the MISE framework to the countries in which the research is located. That exercise would further test the limits of Kerlin's framework and SE models in respect of these countries and South Asia more broadly and might lead to modifications to the framework and models. For example, Kerlin's (2017, pp. 9-10) construct for economy is the stages approach to economic development. This construct is limited in its usefulness in countries where services play a significant role in economic growth, a trend which is likely to continue as automation replaces cheap labour as a low-cost input in global supply chains. Her model also relies on GDP per person however poverty and inequality are not accounted for. These factors also shape the nature of SE development. Finally, and most significantly, her constructs for civil society and culture do not account for the colonial and postcolonial experiences of countries such as those in this research.

Kerlin's MISE framework is therefore applied in a qualitative way and at a macro level only, to provide explanatory background to the challenges faced by the sampled SEs. Chilufya and Kerlin (2017, p. 223) also point out that the micro-institutional processes in the local context of SEs are as important as the macro view. The authors argue that "the interaction between the social entrepreneur, and the socio-spatial context leads to the emergence of social enterprises through a bottom-up approach framed by macro-institutional forces with the understanding that human

²¹ See also Fisac & Moreno-Romero, 2015; Mason & Barraket, 2015; Monroe-White et al., 2015 on this point.

agency at a micro-level also plays a role in the creation of social enterprises”. This micro view is discussed in *Chapter 5 – Discussion and Analysis*, section 5.2.4, drawing on the interview data.

The following three sections trace the macro-institutional aspects of the emergence of the nonprofit and SE sectors in the three countries that are the subject of this research. This discussion illustrates the research gap with specific reference to the chosen research locations.

2.8.1 Bangladesh

Bangladesh has a population of 163 million with 24.3% of the population living below the national poverty line and 18.5% living below \$1.90/day (2011 Purchasing Power Parity – PPP) (World Bank, 2016a). The main contributors to gross GDP are services and agriculture, as well as textiles (ready-made garments), the latter being the largest source of employment for women. The GDP growth rate has been climbing year on year and was 7.1% for 2016 (World Bank, 2016a). The majority of the population is Islamic, while the state is professedly secular. The main language is Bangla (Bengali). During the colonial period and the early post-Partition era, Bangladesh was known as East Pakistan. In 1971 it became a separate state following a war of independence with West Pakistan (now Pakistan). Since then the country has alternated between military dictatorships and democratically elected governments. The current government was democratically elected. Political, labour and religious unrest and instability since the 1990s have not deterred investment, including foreign investment, due to GDP performance (British Council, 2016a, p. 4).

NGOs have played a significant role in Bangladesh’s development since 1971, having established a foothold in the recovery from the war, which had left the economy bankrupt. Like many newly independent states of the period, the initial economic policy model was nationalist (i.e. protectionist) and welfarist; however, as a consequence of the global and national economic crises of the 1970s, and the intervention of international donors, this gave way to a neoliberal agenda including, in recent years, growth in privatisation in the social sector.

Fernando (2011) traces the complex relationship between the government, NGOs (international and local), international donors and religion over the period 1971–2010. NGOs in particular have played a strong role in the social sector, meeting the needs of the people in an environment of limited state capacity. The State has allowed this of necessity, yet from time to time in different political contexts has regulated the sector more or less strictly depending on its perceived need to limit external institutional influence. Fernando (2011) critiques the NGO sector, however, for failing to pursue social transformation, in particular in regard to gender issues and inequality, as

it has become hostage to the priorities and ideologies of donors. The size and strength of the NGO sector is such that “NGOs continue to dominate all areas of social development, either independently or in partnership with the private sector and the government” (Fernando, 2011, p. 225).

This extended role has led the sector to diversify from nonprofit to commercially oriented enterprises, and seen the rise of large local SEs such as the Grameen Bank and BRAC, the largest international development organisation in the world. Ultimately the role which the NGO sector has carved out, and which is continuing to grow, substitutes for the State where the latter has failed to meet demand for public goods and services and, in doing so, makes the issue of financial sustainability critical, creating a tension with social mission. Fernando (2011, p. 231) highlights a risk here in that “the commercialization of NGO interventions ... has also made them [the poor] even more vulnerable to the vicissitudes of the global economy” and that, as inequality persists, religion and Islamic NGOs will challenge the status quo.

In terms of the SE environment, due in large part to the innovative models pioneered by the Grameen Bank and BRAC Bank (the microfinance arm of BRAC), their support of MSMEs and an extensive range of other support services and organisations in the country, including government agencies (British Council, 2016a, pp. 6-9), the SE sector in Bangladesh is growing and diversifying into manufacturing, retail, forestry and infrastructure, to name a few new areas (British Council, 2016a, p. 15). The size of the sector is not known, however, one estimate (British Council, 2016a) places it at around 150,000. In 2011, Fernando (2011) estimated that there were over 78,000 NGOs registered in the country. BRAC and Grameen started in 1972 and 1976 respectively, but most of the growth in the SE sector was in the 1980s and 1990s, with over 25% starting since 2015 (British Council, 2016a, p. 12). While the NGO sector is regulated by the government, there are no policies or legal frameworks relating specifically to SEs, other than specific cases such as microfinance and social impact investment (British Council, 2016a, p. 5). In a survey conducted by the British Council, financial sustainability and shortage of skills (technical and managerial) were identified as the top barriers to growth, with 70% identifying access to capital as a constraint. The majority of respondents placed social impact at least on a par with (38%) or ahead of (44%) making a profit.

In summary, the key macro-institutional factor shaping the SE sector in Bangladesh is the post-war (of independence) economic trajectory, which has created a reliance on donors and NGOs and which in turn has created a space for SEs but without the resources, in a very poor country,

to effectively scale up. This is notwithstanding the emergence of very large players such as Grameen and BRAC.

2.8.2 Sri Lanka

The population of Sri Lanka is 21.2 million with 4.1% living below the national poverty line (Department of Census and Statistics, 2016) and 2.4% living on less than \$1.90 per day (2011 PPP) (World Bank, 2016b). This represents a significant decline since the 1990s.²² GDP growth is at 4.4% but, after growing steadily for three years, almost halved in 2016.²³ Services comprise 62% of GDP (with tourism making a significant contribution), industry 30% (including a strong textiles and garment sector) and agriculture just 2% (World Bank, 2016b). The government is, and has been since independence, democratically elected. The political make-up in terms of parties reflects the ethnic history and make-up of the country, including a Tamil party and a party aligned to Sinhalese Buddhist nationalist interests.

Sri Lanka is a multi-ethnic country and this has shaped its post-independence (1948) history of populist politics and ethnic conflict, leading to a violent civil conflict between the two largest groups – the Tamil minority and the Sinhalese majority – from 1983 until 2009.²⁴ This in turn is a legacy of colonial rule under the British. The country's development nationally and at a sub-national (provincial level) is still determined by the war and by the post-war recovery strategies and policies of the government and international donors (multi-lateral and bi-lateral including, increasingly, China). This in turn has shaped relationships between civil society, including NGOs, and the government.

Against this back-drop, the NGO sector has a tradition dating back to the early nineteenth century of being anchored in an ethno-religious construct, originally Christian and then later Buddhist, Hindu and Muslim. The sector has evolved from community-based social service

²² Even more so considering that in the period until the end of the civil conflict in 2009, statistics were understated as they did not include the Liberation Tigers of Tamil Eelam (LTTE)-controlled areas of the north and east. Today the national headcount poverty ratio of 4.1% is an average for the country as a whole; however, in the areas at the centre of the war zone, it remains much higher, with the highest being 18.2% (Kilinochchi) (Department of Census and Statistics, 2017, p. 2).

²³ A contributing factor here was the worst drought in four decades occurring in 2016, followed by the worst floods in fourteen years in 2017.

²⁴ The three main ethnic groups in the country are the Sinhalese (predominantly Buddhist) – approximately 70%, Tamil (predominantly Hindu) – approximately 13%, and Muslim (ethnically Tamil) – 8% (Department of Census and Statistics, 2012). Ethnic divisions in a political and economic sense were created by the British under colonial rule by educating and promoting Tamils. In the early post-independence period, addressing this imbalance of opportunity was a focus of government but it was not until the welfarist model could not be sustained in the face of global economic conditions in the 1970s that governments, under pressure, used ethnicity, in particular language, as a tool to retain power through populist appeal to the Sinhalese majority. This sowed the seeds of the ethnic conflict that raged from the early 1980s. The war ended in 2009. Language as a divisive issue is now moving into the background, as the government has legislated that both Tamil and Sinhalese are official languages and this policy has flowed through to the education system and recruitment policies for the public sector. However, the impoverished predominantly Tamil north and east of the country (the main war zone) remains volatile due to government policies for reconstruction, which include integration of Sinhalese into the area, and as a result are subject to a strong military presence.

organisations to cooperatives to rural development (volunteer and self-help work) with government backing, to human rights from the 1970s onwards, and later humanitarian relief. As with Bangladesh, international NGOs entered the field after independence and proliferated along with local NGOs, in the 1980s moving into the social sector with the donor-directed shift to neo-liberal economic policies and the intensifying of the ethnic conflict (ADB, 2013).

Today the sector spans humanitarian (post-conflict, previously peace-building), advocacy, poverty alleviation often in partnership with the government, and grassroots development (ADB, 2013). However, a further dimension to this categorisation is the political and ethnic divisions in civil society. NGOs have been caught up in this complexity and often been accused as supporting one side or the other, especially during the war. Fernando (2011) traces the historical evolution of the sector in similar terms from the “welfare state to national security state” and the corresponding policy frames of “state-centred and ethnoreligious nationalisms” (pp. 111-117). He further argues that, by allowing themselves to be trapped within the ethno-religious policy frame, NGOs have failed to respond to the impact of global capitalism on the country and the poor, and to the class – rather than ethnic aspects – of its social, economic and political development (Fernando, 2011, pp. 178-179).

The NGO sector’s involvement in civil society activism has been the main source of tension with the government, resulting in a regulatory model requiring registration and annual reporting for all NGOs operating in the country since 1980.²⁵ The sector came under intense scrutiny by government agencies during the war with the intent of limiting its funding, activities and influence (Fernando, 2011, pp. 142-158). Regulations have been strengthened at different times in order to control the influence of the sector on politics and to retain government control of policy, development and security.²⁶ Civil society organisations and NGOs rely predominantly on overseas funding including grants from external donors.²⁷ Since the war, NGOs have been criticised by government because of their international links – organisational and funding – and this has played into a national discourse, led by government, relating to national sovereignty and security.

²⁵ The Voluntary Social Services Organizations Act was introduced in 1980. The National Secretariat for the Registration of NGOs (National Secretariat for Non-Government Organisations, 2017) was established in 1996. There is also a Registrar of Co-operatives for smaller organisations, as well as legislation covering trusts. In addition to the national registration, there are also rules relating to micro-organisations operating at a provincial level.

²⁶ For example, in response to the high inflow of funds and organisations after the 2004 tsunami, which occurred during a ceasefire in the war, restrictions were tightened for security and sovereignty reasons.

²⁷ In the case of multi-lateral and bi-lateral funding, larger projects often require government approval before funds are released. Many grants and loans are therefore smaller in size to avoid this requirement (ADB, 2013, p. 5).

In terms of SEs in particular, there is very little research and data on Sri Lanka and much of it is anecdotal.²⁸ Social and cultural norms, as well as state–civil society relationships as discussed above, are a constraining factor on growth. Weeratunga and de Silva (2007, pp. 37-38) point to the socio-cultural constraints on SE such that entrepreneurs rely on local networks (community, business, religious, political) for support but this may conflict with their obligation to these networks and expectations of reciprocity that are difficult to reconcile with a commercial relationship. Interestingly, the largest NGO with an SE arm to emerge within the country is the Sarvodaya Shramadana Movement (SSM) (2017). This Buddhist principles–based organisation has grown and diversified since the 1950s and today includes within its scope an SE working in the information technology space – Fusion (2017). Sarvodaya has managed to navigate the socio-cultural landscape that might otherwise constrain its SE development by capitalising on being already deeply embedded in it.

Entrepreneurship is talked about in the media²⁹ and encouraged by the State and other organisations such as the British Council³⁰ as well as private advisory organisations.³¹ There is a very diverse microfinance sector, as evidenced by the Lanka Microfinance Practitioners Association,³² which includes large organisations (including a partnership between Grameen and the local Hatton National Bank) and small organisations working in the field. The SE sector, however, remains undeveloped and operates at the micro end of the size scale.

In summary, the SE sector in Sri Lanka is in the very early stages. It is unlikely to grow at a rapid pace until the political, social and ethnic divisions in the country are resolved, and relationships between NGOs and the government become more stable and constructive. There is an awareness of the need for policy and regulation on the part of government, but it is not yet a priority. In the meantime, government funding will be limited given other economic and post-conflict development imperatives, and so donor grants are likely to be required for seed funding, together with microfinance. Investors will be deterred by ongoing instability and the government will continue to monitor and regulate the inflow of foreign funds.

²⁸ See, for example, Minca, which reports on SE in different countries (<http://www.livinginminca.org/the-other-side-of-sri-lanka-lessons-from-social-enterprises/>)

²⁹ See, for example: <http://www.thesundayleader.lk/2015/10/18/social-entrepreneurship-a-great-way-to-do-business/> ; <http://www.dailynews.lk/2017/03/08/business/109721/social-enterprises-social-finance-concepts-gathering-momentum-sri-lanka>

³⁰ See <https://www.britishcouncil.lk/social-enterprise>

³¹ See, for example, Social Enterprise Lanka (<http://socialenterprise.lk>) backed by Hatton National Bank and Lanka Social Ventures (<http://lankasocialventures.com/>). Both of these organisations describe themselves as SEs as well as supporting SEs.

³² See http://www.microfinance.lk/microfinance_in_sri_lanka_members.php

2.8.3 India

The population of India is 1,324 million. As of 2010, 21.9% of the population lived below the national poverty line and 21.2% on less than \$1.90 per day (2011 PPP). The GDP growth rate in 2016 was 7.1%, down from 10.3% the previous year, which was a significant improvement on the previous two years. Agriculture accounts for 17% of GDP, industry 29% and services 54%. Both agriculture and industry are declining, while growth year on year is in services. Information technology, business and software services are a significant component of India's exports (World Bank, 2016c).

The Government of India is democratically elected at both federal and state levels, and has been since independence from British colonial rule in 1947. It is the largest democracy in the world. The federal structure has created a very complex and varied political, regulatory, economic, social and cultural landscape. The country is culturally diverse with divisions along rural–urban and caste lines, and also ethnicity, with one of the largest states in the federation – Tamil Nadu – being predominantly Tamil. These factors contribute to uneven development, with major challenges in education, nutrition and healthcare. Administrative and regulatory requirements are also a significant burden on businesses of all sizes but especially MSMEs, which contribute more than a third of manufacturing GDP (British Council 2016b).

Since India's independence in 1947, its economic landscape has undergone dramatic changes. In the immediate aftermath of independence and the ravages of Partition, the then Prime Minister Nehru embraced a democratic socialist agenda for economic development, characterised by central planning with a five-year outlook, state intervention to direct allocation of resources, import substitution industrialisation with a focus on heavy industry and a highly regulated business environment. This was supposed to be a middle path between capitalism and communism. It resulted in significant economic growth, helped by substantial aid from both Western countries (USA, Europe) and Eastern countries (Russia, Eastern Europe). A growth rate of 4% was achieved between 1960 and 1990 (Rao & Kadam, 2016). However, a balance-of-payment crisis in 1991 forced the government to rethink its economic policies and gradually open the market for foreign investment while loosening the regulatory framework.

The move to a more liberal economic strategy was initiated by Prime Minister Narasimha Rao, who governed 1991–1996 and has been continued under subsequent governments up until the present. In spite of strong GDP growth, and significant growth in the middle class, poverty remains high. The government has over the years implemented a range of poverty alleviation programs (Sreedhar, 2017) including employment, food security, social safety net and urban

poverty alleviation programs. One of the principal reasons for the failure of these programs to make a significant and sustained social impact is the excessive government intervention, and the exclusion of the community from formulation, governance and implementation of these programs (Ramalu, 2014; Yesudian, 2007).

The ADB (2009) has traced the development of the NGO sector in India from the earliest medieval period. The NGO sector in India historically derives from the values of service and giving. Its origins are in the social sector and relief work, and this continued and expanded under colonial rule. During the second half of the nineteenth century, the underpinning values of the sector expanded to include a nationalist dimension and the idea of self-sufficiency or self-help. Christian missionaries were also active at this time, but were more focused on social infrastructure (e.g. hospitals, schools) and poverty. The emphasis on economic self-sufficiency was strengthened by Mahatma Gandhi's movement from 1916 using a grassroots, village-based and voluntary model. At independence, as with Bangladesh and Sri Lanka, the NGO sector took on a significant role in helping to meet the demands placed on government for development support but, unlike Bangladesh and Sri Lanka, this relationship was explicitly framed in policy as complementary to the State. Indeed, the State established institutions to facilitate the sector and this new role, including decentralisation to a village level. The next major shift in the sector and the role of civil society occurred with the arrival of significant numbers of international NGOs in the 1960s (initially providing drought relief). The economic turbulence of the 1970s placed greater pressure and demands on the State and so also NGOs. As a consequence, organisations emerged with a new empowerment- and rights-based orientation. The advent of neoliberalism and related policies in 1990s has made larger NGOs more attractive to donors as they have the scale to achieve a level of impact that is more easily measured and accounted for than micro, grass-roots projects and organisations (ADB, 2009, pp. 1-2).

The State has recognised the value in NGOs building social capital in small communities, delivering skills development and services with the community as active participants in the supply chain. The NGO sector has also become an active participant with the State in the development planning process (Nair, 2011), placing it as an insider in the advocacy space.

The majority of NGOs in India today, out of an estimated 1.5 million, are, however, still small and voluntary, and are supported by several overarching peak organisations and coordinating bodies established for this purpose (ADB, 2009, pp. 2-5). Registration is voluntary but does attract certain benefits in relation to tax and access to foreign and government funding. Some states have additional registration schemes in place. There is no regulatory framework specific

to SE. The relationship between NGOs and the government, as indicated above, has been largely constructive, with the NGO sector adjusting its sights according to the priorities of the government. However, there is a risk, as with donor funding, that NGO agendas may become hostage to government agendas as they also rely on government for funding, and that this may lead to some compromise on independence, ability to advocate for the poor and social mission: “NGO approaches to government now range from strongly oppositional to closely collaborative, with the majority of NGOs keeping an uneasy, sometimes reluctant, but pragmatic and often sophisticated partnership with the state in its various forms” (ADB, 2009, p. 4).

The government has taken a similar approach to the SE sector. The British Council (2016b) identified 39 SE-related policies, including the National Skill and Entrepreneurship Policy of 2015. The majority of these policies have emanated from the Ministry of Micro Small and Medium Enterprises. The sector is well developed, compared to countries in the region, in terms of government policy, mentoring and support services (private, State-sponsored, and university-led), donor funding and private investment (local and international). In addition, there are a range of online platforms and media which promote SE, and forums and networks for social entrepreneurs to meet and share experience and ideas, as well as events and awards (British Council, 2016b, pp. 5-7). The British Council (2016b) survey of a small sample (258) showed that more than half were registered between 2010 and 2015. Location indicates clustering around areas and in states with good infrastructure, skills, and access to capital, and predominantly in major cities.

There is as yet no SE-specific regulatory framework. The structures available are private enterprise (company, partnership, sole venture), trust or society/association (for NGOs). The choice is often dictated by source of funding. A private company structure is not subject to restrictions on retention and distribution of profits in the same way that NGOs are, and this is attractive to investors. The British Council (2016b) survey results showed that Indian SEs give at least equal priority to profit and mission (72%, with 28% prioritising mission). Both objectives and sectors of operation indicate an emphasis on economic participation, health and the environment (British Council 2016b, pp. 10-13). An earlier study and survey of 95 SEs by Allen et al. (2012) revealed that most target the bottom of the pyramid as consumers, with a small number working to integrate small producers into larger supply chains and markets. Financial and human capital constraints are seen as the main barriers to growth. For NGOs, the main source of funds is grants and donations; however, newer SEs are turning increasingly to borrowing and even less traditional sources such as crowdfunding. Allen et al. (2012) found that

the supply of funding was less of an issue than meeting donor and lender criteria. The British Council (2016b, p. 19) estimates the total number of SEs to be approximately 2 million of which MSMEs make up at least half.

In summary, the SE sector in India is growing rapidly and continuing the tradition of the nonprofit sector of working in partnership with government. Unlike Bangladesh and Sri Lanka, this has created a sound platform for a cohesive and comprehensive policy framework, which is emerging. Given that funding is available, the barrier to financial sustainability is organisation capacity and capability.

The above description of the SE landscape and its historical emergence in each of the three countries highlights the complexity of factors that SEs of all sizes, but especially micro, small and medium, must confront in order to scale up their impact in a financially sustainable way.

2.9 Summary

The purpose of this literature review has been – consistent with GTM – to inform and guide decisions about the best approach to this research on the financial sustainability of small-to-medium nonprofit SEs. Extant literature on the following topics has been reviewed: the role of the literature review in GTM; SE as a research field; definitions of SE and social entrepreneurship; and the financial sustainability of SEs. The Straussian approach of undertaking a preliminary literature review has been discussed and an argument made as to why it has been adopted for this research.

SE and related concepts of social entrepreneur and social entrepreneurship have generated a significantly increased volume of research output since 2004 (Granados et al., 2011, p.203) and yet SE specifically, remains a pre-paradigmatic research field. A contributing factor is the multi-disciplinary and multi-faceted nature of the phenomena (Sassmannshausen & Volkmann, 2013). This has resulted in a variety of definitional constructs including the hybrid business model construct (Battlana & Lee, 2014; Borzaga et al., 2012, Grassl, 2012), and the regional and national variant construct based on different political, social, economic, and legal dimensions (Kerlin 2013, 2010; Defourny & Nyssens, 2012). Nevertheless a direct link can be made between SE as a business and organizational model and as a strategy for long term financial sustainability of NPOs.

The review has identified three scholarly contributions to the research field, those of Kerlin (2013), Seel (2006) and Weerawardena and Mort (2006), which in particular and together

provide a conceptual foundation for the research, as illustrated in Figure 2.9 below. Kerlin’s (2013) study informs about the regional/national socio-economic factors to be understood in the South Asian context and that underpin and guide the research. The Seel (2006) study is a grounded theory study of NPOs in Canada which researched the views of senior administrators, and informs about organisational sustainability and the factors that contribute to sustainability. Weerawardene and Mort’s (2006) grounded theory study informs about the multiple dimensions of social entrepreneurship. A financial sustainability model (Sontag-Padilla et al., 2012) complements the above in developing a business mode for low-resourced SEs operating in high-need communities.

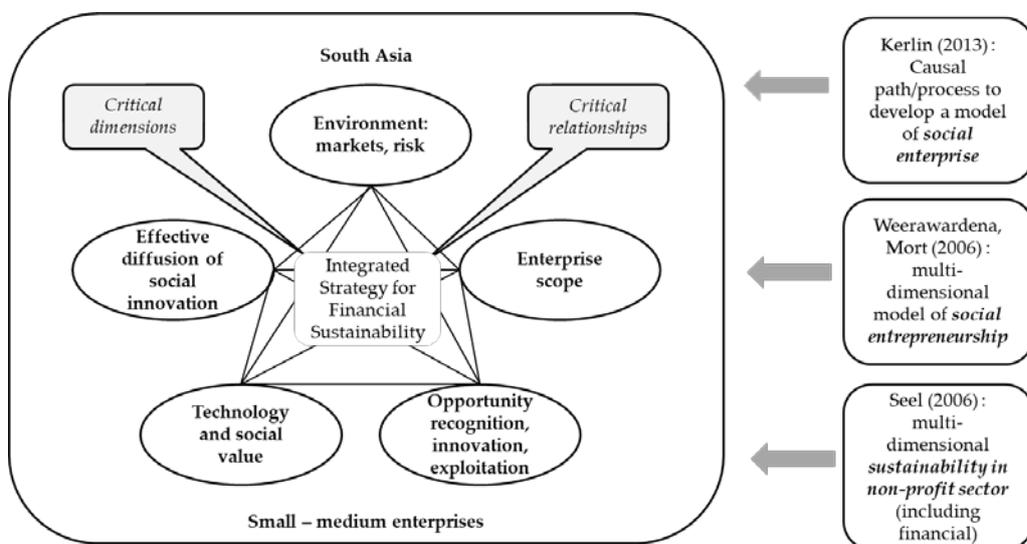


Figure 2.9 – Conceptual framework

The review has revealed the paucity of research on the SE phenomenon in the developing world, and in particular SMSEs, which are the subject of this research located in the South Asia region. The literature does identify significant regional variations (e.g. between Europe, the UK and the USA). Given the size of the South Asia region and the nonprofit sector there, and the influence of a country the size of India on the region as a whole, it is highly likely that further variations exist in relation to that region that will add to our knowledge in this field. A detailed discussion of the specific macro-institutional context for the emergence of the nonprofit and SE sectors that exists in Bangladesh, Sri Lanka and India further illustrates and highlights the research gap.

Chapter 2 – Theoretical and Empirical Literature Review

The contribution of this research is therefore along two dimensions:

- First, it addresses the paucity in theoretical and empirical studies of the financial sustainability of the nonprofit sector in South Asia, and in particular small-to-medium NPOs and SEs.
- Second, the grounded theory generated by this qualitative research will contribute to formulating practical solutions to achieving financial sustainability across the spectrum of small-to-medium NPOs and SEs in South Asia.

The following chapter describes the research design, informed by this literature review.

3 Chapter 3 – Research Paradigm and Method

3.1 Introduction

This chapter sets out the key research design decisions that have been taken in order to contribute to bridging the empirical and theoretical gap in knowledge, as discussed in the previous chapter. These decisions are anchored in a research paradigm, in this case practical pragmatism, and the overarching research approach, GTM. The case is first made for these foundational decisions. The chapter then proceeds to describe method-related matters, specifically data sources and data collection in the context of GTM and time and budget constraints, evaluating validity and quality, and consideration of research ethics.

Research method and methodology encompass the full set of techniques and procedures followed to conduct the research. Methodology includes data analysis, interpretation and reporting on the resulting themes and patterns (Creswell, 2014, pp. 3-22; McGregor & Murnane, 2010; Charmaz, 2006, pp. 13-20). GTM spans both method and methodology and develops theory that is “grounded in data systematically gathered and analysed” (Strauss & Corbin, 1994, p. 273). Grounded theory research is predicated on a compendium of rich data, and systematic and rigorous analysis. The legitimacy, validity and quality of the grounded theory proposed are buttressed by the depth and scope of the data (Bryman, 2012, pp. 46-50; Charmaz, 2006, pp. 18-19). Consequently, the researcher must adopt the appropriate research method to facilitate and enhance the data collection, analysis and theory formulation. Moreover, in GTM the process of discovering theory is interwoven with sampling and analysis of data such that these become “critical sites for developing new theoretical insights” (Tavory & Timmermans, 2014, p. 51). It is equally imperative to adopt the appropriate research method to meet the evaluation criteria for the research (Strauss & Corbin, 1998, pp. 265-274), in particular when discovering new theory or extensions to existing theory, in which the process and the grounding of the findings in data are the main evaluation criteria.

The research method related decisions to adopt for grounded theory research begins with the research questions. Walter (2013, pp. 10-21), Charmaz (2006, pp. 14-18) and Punch (2005, pp. 19-31) articulate the connection between research questions and research method, arguing that different research questions demand different research methods. Road maps of the grounded

theory research process (Bitsch, 2005) and the process of building theory from case studies (Eisenhardt, 1989b) commence with demarcating the research field and research problem, followed by formulating the research questions. This process in turn is shaped by the choice of research paradigm.

This chapter therefore begins with a discussion of the research paradigm that has been adopted, that is, practical pragmatism. The adoption of a qualitative approach using GTM is then argued, acknowledging the critiques of GTM and how these are addressed in this research. This is followed by a discussion of the research method design factors and key decisions made. The key points to note from this discussion are as follows:

- The unit of analysis is the previously identified a priori themes: context and environment for markets and risk; defining the scope of social entrepreneurship; opportunity recognition, innovation and exploitation; role of technology in creating social value; performance and effectiveness in diffusion of social innovation. The interview participants, representing their organisations, act as informants in relation to the themes.
- The sample size of organisations and interview participants was arrived at through a process of convenience sampling, based on established dimension criteria for micro, small and medium NPOs and SEs, followed by purposeful sampling. Eleven organisations were selected. The strategy for achieving theoretical saturation within the constraints of time, budget and sample size, was to work initially with six of the eleven participants/organisations and draw on the remainder for theoretical saturation as per GTM guidelines.
- Other design decisions (definitions, location, utilisation of prior experience, use of software for analysis) are discussed and then summarised in Table 3.1, p. 77.

Each of the sample organisations is then profiled in descriptive terms, drawing on public domain information, in terms of their affinity to the two key concepts of SE and financial sustainability, and also based on an assessment of where they sit (using the initial profile data) in their development of SE strategies using Burkett's (2010) SE life cycle framework (see Figure 3.5, p. 80). The resulting distribution of organisations on two axes – size and phase of development as an SE – shows an appropriate spread for the purposes of the research as shown in Table 3.2.

This is followed by an outline of the data collection methods adopted, that is surveys and semi-structured interviews (all questions are listed in full in *Appendix A – Interview Questionnaires*).

With regard to validity and quality, while the literature proposes a variety of frameworks, this research adopts that proposed by Strauss and Corbin (1998), which focuses on the research process and the empirical grounding of the findings. Finally the chapter concludes with a brief discussion of ethical considerations.

3.2 Research paradigm

Adapting template research designs and a menu-driven research process and method, insulated from the researcher's and participants' "standpoint" (Walter, 2013), "philosophical worldviews" (Creswall, 2014, pp. 5-6) or, the more widely used term, "research paradigms" (Blaikie, 2007) leads to a blinkered view of what social research comprises (Bryman, 2012, pp. 19-43). Social research in essence "is about investigating and seeking answers to the social questions that we and others ask about our social world" (Walter, 2013, p. 4). Social research and qualitative research are complex, with a myriad of styles, types of research, research methods, contradictions and tensions between styles, paradigmatic differences, and national, racial, cultural and gender differences (Denzin & Lincoln, 1994). Taking a purposeful decision about how to navigate these tensions and differences prior to making choices regarding research design and methodologies is critical to meeting required standards of quality and validity (Bryman, 2012, pp. 389-393).

The human dimension of social science research is the principal factor that makes the research process complex compared to research in the natural sciences. The social science research process is predicated on interactions between the researcher and the participants in the real world to seek answers to social questions. These answers are based on "warranted assertions" that may relate to what people intend, how they experience phenomena, their attitudes and the influence of culture (Johnson & Onwuegbuzie, 2004, p. 15).

"A paradigm is a world view, a general perspective, a way of breaking down the complexity of the real world" (Patton, 1990, p. 37). Blaikie (2007) summarises the role of the *research paradigm* as being fundamental to the choice of research problem, the framing of questions and adoption of a particular research strategy or strategies (Blaikie, 2007, p. 109). Mackenzie and Knipe (2006) argue that the first step in the social research process is the nomination of a research paradigm, without which any subsequent choices of research strategies (e.g. methodology, methods, literature, research design and research questions) would have no basis or anchoring framework. However, it is necessary to acknowledge that different texts and

scholars vary in the degree of emphasis placed on the role of research paradigms in social research.

While over the past few decades the paradigms of positivism and constructivism have underpinned both scientific and social research, contemporary social research paradigms have been proposed and used in social research that do not accept the premise of the classical paradigms (Creswall, 2014, pp. 15-40; Blaikie, 2007, pp. 135-176; Wills, 2007, pp. 1-23; Johnson & Onwuegbuzie, 2004). After a brief study of the paradigmatic options and considering the “standpoint” (Walter, 2013, p. 11) of this researcher as a practitioner in the nonprofit sector over a period of many years, one of the contemporary genre, the pragmatic paradigm, was selected as the theoretical framework within which to seek the answers to this project’s research questions because of its “practical usefulness” (Martela, 2011, p. 4).

The pragmatic paradigm makes the research question the core of the study and offers the flexibility to seek out appropriate approaches, in both data collection and analysis (Mertens, 2010). Creswell (2014) argues that the pragmatic paradigm is an ideal framework for “multiple methods, different world views, and different assumptions, as well as different forms of data collection and analysis” (Creswell, 2014, pp. 10-11) in mixed methods studies. Martela (2011) argues that pragmatic ontology is that, as humans, we are actors in a world of experience and, epistemologically, all our beliefs are future oriented. These assumptions are a social reality in this researcher’s case, as an actor/participant in an SE who is motivated to explore sustainability strategies for action in the future.

The relationship between observation, theory and method which is the core of the pragmatist paradigm is explored by multiple scholars (Creswell, 2014, pp. 10-11; Tavory & Timmermans, 2014, pp. 51-66; Creswell, 2013, pp. 28-29; Charmaz, 2006, pp. 183-184; Mackenzie & Knipe, 2006; Johnson & Onwuegbuzie, 2004). The choice of the pragmatic paradigm for this research has also been influenced by the possibility of leveraging abductive analysis, which “provides a way to think about research, methods, and theories that nurtures theory construction without locking it into predefined conceptual boxes” (Tavory & Timmermans, 2014, p. 4).

The choice of the pragmatic paradigm leads to the next decision in the research design process, that is, to decide on a research method that links intrinsically with the paradigm and which is most appropriate to find the answers to the research questions. The following discussion provides a detailed rationale for the choice of GTM as a research method and methodology.

3.3 Why GTM?

The first decision in adopting a method for this research was the choice between qualitative and quantitative approaches. A qualitative approach was adopted because the research aims to develop theory through the interpretation of participant responses to questions framed by key concepts, definitions, and themes relating to the intersection of models of enterprise and social purpose or mission. The research is interpretivist and inductive, rather than positivist and deductive, in the relationship between research and theory: “It is a method that is genuinely engaged with the world and helps, especially with the constant comparison and theoretical sampling techniques, to come skin close to the lived experience and incidents of the management world and make sense of them” (Fend & Sachs, 2008, p. 448). This decision is further supported by the majority of methods chosen for research into the SE phenomenon (Doherty et al. 2014). Doherty et al. (2014, p. 419) in a study of 129 research papers on SE found that 34.6% had adopted qualitative approaches, 14.6% quantitative, 20% exemplars and 38.5% theory only.

The second and more salient decision was the adoption of GTM as a qualitative research approach. The primary reason for this choice is that the objective of this research is essentially to find a solution to the question of financial sustainability for small-to-medium NPOs and SEs in the South Asian context. It aims to find a pragmatic solution to a problem through the development of empirically grounded theory that is context specific. To ensure this aim is achieved, the approach taken needs to allow scope for new theory without preconceptions from existing theory developed in other contexts. GTM is specifically designed for this purpose (Strubing, 2007; Strauss & Corbin, 1998, p. 12).

GTM is, however, one of several qualitative research methods such as; others include ethnography, case study and action research. The research questions drive the choice of research method. In the case of this research, the questions ask *how* an outcome can be achieved which is not currently being achieved, *what* the relationships between different aspects of the problem are, *why* they are critical to the outcome and, finally, and most significantly, how this knowledge can be further abstracted to provide a guide to action. While all methods collect data, analyse and draw conclusions, they differ in the extent to which they interpret the data to arrive at a form of findings and conclusion that can be translated into action in order to solve a particular problem versus – at the other end of the spectrum – descriptive narrative only. There are points in between depending on the purpose of the study. GTM moves beyond description, beyond analysing its implications, and develops theory which integrates

concepts based on their relationships in order to “explain or predict phenomena” (Strauss & Corbin, 1998, p.15). The problem that this research aims to provide a solution to is how to achieve financial sustainability. It goes beyond simply understanding a particular cultural or case-specific meaning and experience of financial sustainability. Instead, it applies an inductive logic to examine the relationships between different factors or themes emerging from the data and to abstract from this in order to develop a theory of action to achieve a particular outcome and solve a particular problem (Strubing, 2007). The case has already been made in Chapter 2 for finding a solution that is specific to the macro-institutional context of South Asian countries. This further supports the choice of GTM, which allows for theory that is context specific, that is substantive theory, but not based on a single contextual factor such as culture. In this way, the theory offers a solution for countries with a similar context.

The idea of *emergence* or *discovery* of theory in GTM, which I have taken up, has been the focus of considerable critique of GTM and its philosophical underpinning, including the implication that the theory which is *grounded* in and *emerges* from the data, and thus *discovered*, is objective. Thomas and James (2006, p. 3) question the legitimacy of the method and “dispute grounded theory’s status as theory, and the assertion that it can be ‘discovered’; we contest its claim to be consistent with the tenets of qualitative inquiry, and we question its claims to produce better predictive and explanatory outcomes than other methods”. Bryant (2003) also critiques GTM’s philosophical basis, specifically in relation to information systems research, but concludes that it is still a well-structured and established process and as such this mitigates the criticism. Fendt and Sachs (2008, p. 447) also counter that such objectivist assertions (as made by Thomas and James, 2006) are inappropriate and cite Charmaz (2006) who rejects the idea of objectivity or “the assumption of an external reality” and argues that GTM is, instead, applied within a constructionist paradigm. In any event, “the value of a particular inquiry arises not from its approximation of ultimate truth but from its usefulness as an instrument in the social debate leading to such truth” (Fendt & Sachs, 2008, p. 452).

Layder (1993, 1982) argues that GTM’s use of data is very effective in discovered or emergent theorising. However, to fully leverage its strengths, he argues that it needs to assimilate elements from other forms of research such as logico-deductive theorising in parallel with GTM theorising in order to avoid the inherent shortcomings of grounded theory’s explanatory power as argued by some critics. He refers in particular to the inclusion of the wider structural analysis and not being restricted to the immediate overt context. Layder argues for a definition of grounded theory which includes “theory that is limited by empirical data and that which is

guided by empirical data” (Layder, 1993, p. 60). The wider context in this research is accommodated within the adaptation of GTM by comparing conclusions from the analysis against extant literature and theory that have emerged in other contexts. This is consistent with the Straussian approach to GTM.

Finally, GTM poses several practical challenges, especially in a time- and budget-constrained research context, specifically sample size and ensuring the opportunity for adequate reflection between interviews. *Chapter 4 – Research Methodology* sets out a pragmatic adaptation of GTM for this PhD research in relation to these challenges while remaining faithful to the essential tenets of the method. Moreover, this adaptation also “fits the research topic and the researcher’s personality and prior experience so as to take the best possible advantage of these assets” (Fendt & Sachs, 2008, p. 451).

In summary, after careful review of the strengths and critiques of GTM, the decision was taken to adopt GTM as the qualitative method for this research because of its fit to the problem that the research aims to address and to the researcher, both of which are concerned with developing a useful theory that can be repurposed as the basis on which to develop financially sustainable small-to-medium NPOs and SEs in South Asia. The more practical challenges in conducting GTM research have led to a pragmatic adaptation of the method as discussed in Chapter 4.

3.4 Research method design factors and decisions

The architects of GTM have unreservedly emphasised the imperative to collect rich data systematically (Strauss & Corbin, 1994, p. 273). While there are differences among grounded theory scholars and practitioners as to how the data for the research should be approached during the analysis process, there is general agreement on the modes of data collection for analysis, even though these are not exclusive and new methods may emerge (Creswell, 2014, pp. 189-193; Creswell, 2013, pp. 154-168; Mertens, 2010, pp. 351-353; Strauss & Corbin, 1998, p. 58). Glaser’s (2004) dictum that ‘all is data’ (Glaser, 1998) confers on the researcher the onus to collect rich data from multiple sources, using multiple modes of collection for the generation of theory that meets the quality and validity criteria.

A set of research design factors which served as a distiller in the selection of candidate organisations and participants for the research, based on the research questions, was developed as a precursor to the selection process.

Figure 3.1 below illustrates the end-to-end research design process, including design factors, and indicates key outcomes of the process. A more detailed discussion of these factors follows.

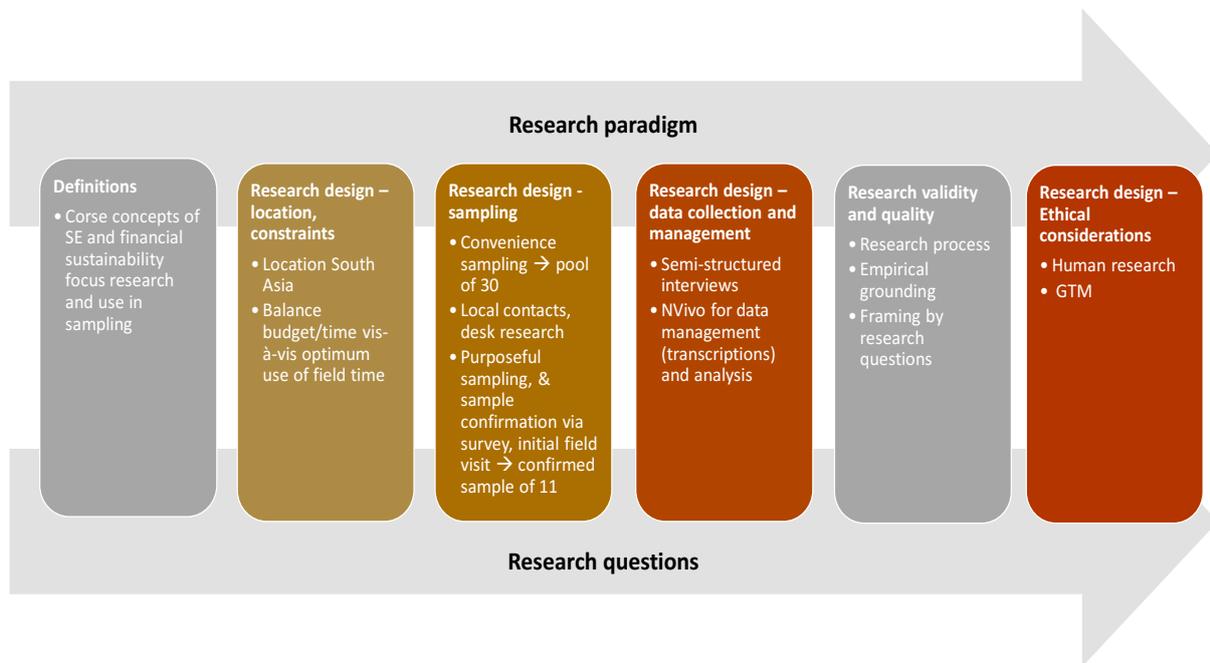


Figure 3.1 – Research design process

3.4.1 Definition

As discussed in *Chapter 2 – Theoretical and Empirical Literature Review*, sections 2.5 and 2.7, working definitions of the key terms – *social enterprise* and *financial sustainability* – have been developed from the literature in order to clearly focus the research. These foundational definitions were the first test applied in selecting candidates for the research. Candidates needed to demonstrate a social enterprise model, however embryonic, as a strategy for financial sustainability while remaining true to their values and social mission.

3.4.2 Geographical location

In Chapter 2, the growth of the nonprofit sector in the South Asia region together with the paucity of research focusing on this region have been discussed and advanced as an argument in support of locating this research in this region. The eight countries in South Asia – generally referred to as the SAARC countries – comprise India, Pakistan, Bangladesh, Sri Lanka, Nepal, Afghanistan, Bhutan and the Maldives. These countries share common borders and/or have close socio-cultural links (ethnicity, religion) and political links (historical and current alliances). The predominant religions of the region are Hinduism, Islam and Buddhism. The research is

based on data collected from SE organisations in the nonprofit sector in the region subject to the constraints and criteria discussed below.

3.4.3 Budgetary and time constraints

The researcher, as both a PhD student and an active member of a NPO managing projects in Sri Lanka, has faced the twin challenges of budgetary and time constraints. From the budgetary perspective, the geographical locations of the research coupled with the need to visit multiple sites and associated travel logistics (visa fees, air tickets, ground transport, food and accommodation) were a significant cost factor that needed to be considered and planned for before field trips. As explained below, a balance was ultimately achieved by utilising a mix of remote survey-based data collection up front, initial follow-up screening visits to each organisation and a further in-depth field interview with each organisation. This was facilitated by the researcher's familiarity with the region and on-ground contacts, as explained below.

3.4.4 Use of experiential knowledge and networks

The researcher's earlier professional career in an Asia–Pacific role in a multinational corporation involved frequent and extensive travel for business purposes to countries in the Asia–Pacific and South Asia. In particular, the researcher has spent a considerable amount of time in India, Bangladesh and Sri Lanka overseeing and managing several key projects in leading government and private sector institutions. This afforded the opportunity to build a network of friends and associates, and relationships with strong social capital, contacts with whom the researcher continues to maintain contact and share information. The researcher anticipated leveraging the members of this network, who have excellent local community knowledge and their own networks of friends, to help identify prospective organisations for the research based on the parameters relating to organisation type, as discussed.

The researcher's own experiential knowledge of the nonprofit sector has been built over a period of thirty to forty years of active participation in small NPOs in Sri Lanka and Australia. The motivation for this research and the research proposal derives from this experience and understanding of some of the critical existential issues that confront small-to-medium NPOs.

3.4.5 Unit of analysis, sampling and sample size

The unit of analysis in this research derives from the research questions, which in turn relate to a set of themes, as initially outlined in *Chapter 1 – Introduction*, section 1.6. The basic unit of analysis therefore is the themes, as illustrated in Figure 3.2 below. Research participants from sampled organisations were informants in relation to the identified themes under investigation.

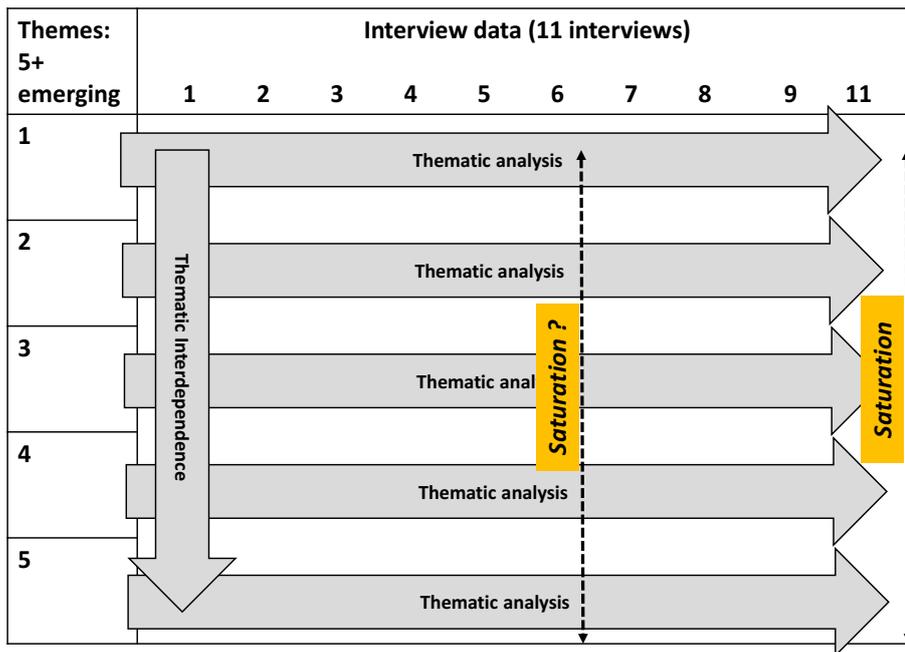


Figure 3.2 – Unit of analysis, sampling and theoretical saturation

Initial sampling was undertaken by establishing selection criteria for case organisation selection. Two of the overarching principles of sampling in qualitative research are, first, to identify those participants who can provide rich data and, second, to ensure that the sampling methods are targeted and efficient. For initial sampling, this research has adopted convenience sampling as the first step, followed by purposeful sampling (Bryman, 2012, pp. 184-207; Morse, 2007; Morse, 2000), leading into data collection.

This case-based approach is well suited to gathering rich data for theory generation in GTM.³³ Primary data for this research is based on interviews with key stakeholders within the sampled organisations that fall within the sampling criteria described below, that is, micro, small and medium NPOs and SE organisations. Bryman (2012, pp. 72-75), Yin (2009, pp. 53-62) and Eisenhardt and Graebner (2007) argue that multiple cases, in contrast with the single case approach, provide more compelling evidence to back the quality and validity of the generated grounded theory, allow a more appropriate level of abstraction, offer more latitude in exploring the research questions and in theoretical elaboration, and afford the ability for the researcher to observe causations in contrasting or similar contexts.

³³ Nominating sample size at the commencement of the research, from a GTM perspective, violates the procedures, canons and norms of grounded theory (Corbin & Strauss, 1990). Sample size is dictated by the concepts of theoretical sampling and theoretical saturation. This is discussed in Chapter 4, sections 4.3 and 4.5, together with the adaptation made for this research.

Identifying those organisations that would provide rich data for this research commenced with convenience sampling (Morse, 2000, pp. 235-237) from a pool of organisations geographically situated in the three South Asian countries. The baseline sampling criterion, apart from geographical location, was organisation size. Since India has the largest population of small-to-medium nonprofit and SE organisations, and there is no universal classification of SMEs, the definition of SMEs is based on the classification of social business by the Indian Ministry of Micro, Small and Medium Enterprises (MSMEs) (as summarised and cited in GIZ (2012), as shown in Figure 3.3 below. UNIDO and OECD (2004) offer a further classification of MSMEs based on the number of employees, as shown in Figure 3.4 below.

Box 1		
Defining Micro, Small and Medium Sized Enterprises (MSMEs) in India		
Classification	Investment ceiling for Plant, Machinery or Equipment	
	Manufacturing Enterprises	Service Enterprises
Micro	Upto \$62,000	Upto \$25,000
Small	Upto \$62,000 - \$1.25 mn	Between \$25,000 - \$0.5mn
Medium	Upto \$1.25 mn - \$2.5 mn	Between \$0.5mn - \$1.25mn

Source: The Indian Ministry of Micro, Small and Medium Sized Enterprises. 2009. The Fourth All-India Census of Small Scale Industries (2006-7).

Figure 3.3 – Classification of MSMEs (Development Commissioner, Ministry of MSME, Government of India. 2006–2007, as summarised and cited in GIZ, 2012, p. 16)

Number of employees	
0	Self-employed
2-9	Micro business
10-49	Small business
50-249	Medium-size business

Figure 3.4 – Classification of MSMEs based on employee numbers (UNIDO, OECD, 2004, p. 20)

A pool of 30 organisations was created through a broad scan of publicly available data, based on the MSME classification criteria identified in Figure 3.3 and Figure 3.4 above. This pool was further subdivided by state or province and geographical location. A scan of the researcher’s professional and social networks of associates and friends in these locations or in close proximity to the 30 organisations was undertaken to identify those who might have on-ground knowledge, information or contact with these organisations or, alternatively, be able to nominate other organisations with similar characteristics for the purposes of the research. Emails were sent to

these individuals explaining the purpose of the research and soliciting their advice and any information they might have about these organisations, including personal contacts if any with key stakeholders. The response was very positive. Based on the researcher's prior knowledge and information provided by the networks, the sample size was filtered down to eleven organisations. Detailed profiles of these organisations are included later in this chapter, in section 3.5.

3.4.6 Use of software as an analytical tool

Both Holton (2007) and Charmaz (2006) articulate the challenges, processes and different types of coding – ranging from word by word, line by line and substantive (open and selective) to theoretical coding of data from a wide range of sources – in GTM. This researcher is technology literate, has been in the industry for a considerable period of time and was confident about the use of computer assisted qualitative data analysis software (CAQDAS). In this instance NVivo 10 has been used for analysis purposes.

As discussed previously, depending on sample size, and GTM processes (i.e. theoretical saturation and constant comparison), the task of coding can grow to become a tedious manual activity. It is not surprising that the use of CAQDAS is a growing trend among scholars and practitioners undertaking grounded theory qualitative research in the social sciences and a field of investigation of its own in extant literature. This is also not surprising given the very nature of grounded theory (and, for that matter, qualitative data analysis more generally), which involves large amounts of audio, video and textual data that needs to be managed and analysed (Davidson & di Gregorio, 2011). However, there has been debate about the use of such tools. The classicists of GTM argue against the use of software tools during the coding and constant comparison process as this breeds a mechanistic mindset, but admit their efficacy in archiving, managing and retrieving of coded data (Holton, 2007, p. 287; Strauss & Corbin, 1998, pp. 276-279). Nevertheless, the literature on the flipside of the argument by those who have used CAQDAS is very positive about its use in line with current trends (Sotiriadou & Le, 2014; Clare, 2012; Schönfelder, 2011; Strauss & Corbin, 1998, pp. 276-279). A well-illustrated, detailed and practical application of QSR NVivo software in developing a grounded theory is provided by Hutchinson, Johnston and Breckona (2010).

The cautionary messages in using CAQDAS are not related to its use or capability, but to the requirement for training and familiarisation in the chosen software package, which takes time and may butt against schedules for submission of written work and concurrently learning about GTM and qualitative research in the case of novice researchers. A critical consideration with

respect to time is IT literacy and the trap of overreaching in trying to use all the features of the package (Bringer et al., 2006). Most importantly, in using CAQDAS it is critical that the researcher remains engaged and immersed in the data, and does not deviate from the principles of GTM. In this research, these tensions were resolved by the technical proficiency of the researcher due to years of work in the IT industry.

The verbatim transcription of audio-recorded data into textual data is a necessary precursor to the data analysis process. In particular in GTM, in which the coding process and constant comparison require repeated close engagement and immersion with the data, it becomes imperative to begin with an accurate verbatim transcription of interviews, which adds a further degree of complexity (Neal et al., 2015; Bryman, 2012; Halcombe & Davidson, 2006, pp. 482-487). Coding after linking of audio-file recordings with the transcripts – a feature in NVivo – has distinct advantages over other approaches, specifically: “preserving verbal and nonverbal information” and that “High intonation is preserved because coding is linked to the audio file” (Neal et al., 2015, p. 120), although this mode of transcription is slow.

NVivo was therefore chosen as a practical and efficient tool for the detailed, rigorous analysis of data required by GTM, and for data management. GTM requires line by line coding of the data, comparison between interviews, and abstraction to higher level concepts and categories. This detailed process is facilitated by software such as NVivo.

3.4.7 Summary

Table 3.1 below summarises the key factors in the research method design for this project. It covers the design choices and rationale from the above discussion.

Table 3.1 – Research design choices

	Decision	Rationale
Definition	A working definition of the two key concepts of SE and financial sustainability established for the purpose of this research and identification of candidates.	Informed by literature, tailored to research purpose. Refer Chapter 2, sections 2.5 and 2.7.
Geography and access	South Asia – India, Bangladesh, Sri Lanka	Rapid growth and large number of NGOs plus socio-cultural and political links. Refer Chapter 2, section 2.8.
Cost and time	Limits of PhD time line and funding.	Research is self-funded.
Prior experience, local networks	Utilisation of researcher’s own prior experience in the selected geographies and networks of contacts.	Risk of bias outweighed by efficiency of sampling.

	Decision	Rationale
Unit of analysis	A priori themes derived from the research questions .	Research participants from sampled organisation were informants in relation to the themes.
Sampling and sample size	Determination of sample size at start of project, based on criteria of SMEs within specific size dimensions. Initial scan of 25 to 30 organisations resulted in a sample size of 11.	While this contradicts the process of constant comparison and theoretical saturation (refer Chapter 4, sections 4.4 and 4.5, for a more detailed discussion on this point), it is reasonable within the parameters of a PhD project provided limitations on validity of new theory are clearly identified. Based on the Indian classification, as India has largest population of such organisations in the South Asia region.
Software for analysis	NVivo used for coding and analysis based on verbatim transcription of interviews.	Opinions vary in context of GTM. Given research objectives, software facilitated detailed analysis. Given the specific socio-cultural context, verbatim transcription was important.

3.5 Profiles of sampled organisations

After convenience sampling identified the eleven cases, a further stage of purposive sampling (Morse, 2000, pp. 237-240) was undertaken to further qualify the cases. Initial enquiries made through personal contacts determined whether these eleven organisations were willing to participate in the research and complete a short survey questionnaire (see Appendix A). At this stage, it was decided to make direct email and telephone contact with the organisation participants, for better communication and to build rapport and confidence in the process. Consequently, the researcher travelled to the locations of the participants to meet with them personally. During these meetings, the purpose, objectives and method of the research were explained and the participants’ pivotal role in the research was outlined. The ethical guidelines³⁴ were also explained and any concerns and questions addressed. A letter of invitation to participate in a short survey and the survey form were handed over to each participant. All potential participants accepted the invitation and responded with enthusiasm, agreeing to participate in both the initial survey and the subsequent longer interview if selected. Survey questionnaire forms were completed during these meetings. Scrutiny of the preliminary survey forms, along with the researcher’s observations, rapport (Grinyer & Thomas, 2012, pp. 220-224) built during the short face-to-face meetings and the research design factor analysis, led to the decision to include all eleven organisations. They all indicated their willingness to participate in the extended semi-structured interviews and nominated the executive to be interviewed.

³⁴ All research instruments and the project as a whole were pre-approved by Swinburne University’s Human Research Ethics Committee.

Table 3.3, p. 81 and the detailed profile discussion which follows provide a classification of each of the eleven organisations based on the criteria in Figure 3.3 and Figure 3.4, p. 75. Each organisation is further characterised based on the purposive sampling process outlined above, highlighting their affinity with the two key concepts of *social enterprise* and *financial sustainability*, in addition drawing on Alter's (2007) sustainability equilibrium model. In this model, the relevant categories are the social value creating group, that is, traditional nonprofits, nonprofits with income-generating activities and SEs.³⁵

Finally, each organisation has been assessed based on its stage in the SE development life cycle, as mapped by Burkett (2010, p. 13) and shown in Figure 3.5 below. The claim made by a number of commentators that the development life cycle of an MSMSE mirrors that of small-to-medium businesses is not borne out in a research report on the financing of SE in the Australian nonprofit sector (Burkett, 2010). This report found that, while there are similarities, the trajectory is not as smooth as in the case of small-to-medium businesses:

If, however, we look closely at some of the experiences studied through this research, the picture is not this neat, sequential or steady. While we could identify particular broad development pathways and we could say that the enterprises were at different stages of their development, the stories that were told of travelling along this pathway were messier in nature than the above images suggest. (Burkett, 2010, p. 12)

The report identified four life cycle phases, each characterised by achievements and contextual realities in transitioning to the goal of achieving financial sustainability. They are: the start-up phase (beyond grant cultures) → the development phase (towards viability) → the growth phase (building strength and impact) → the maturity phase (towards sustainability). The report also identified four dimensions of sustainability: operating sustainability; financial sustainability; balance sheet sustainability; and social/impact sustainability (Burkett, 2010, pp. 12-34). These life cycle phases mirror those identified in the MSMSE sector in India (GIZ, 2012, p. 17).

³⁵ The remaining categories, whose purpose is e-commerce value creation, that is, socially responsible businesses, corporations practising social responsibility and traditional for-profits, were not applicable.

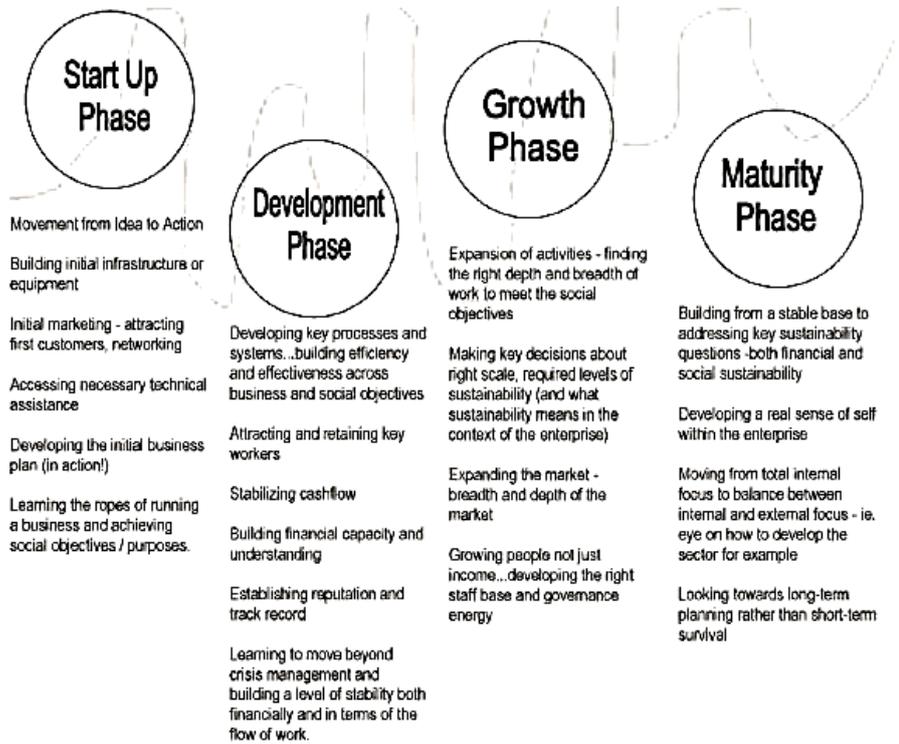


Figure 6: The Lifecycle Phases of Social Enterprise as they were identified in this research

Figure 3.5 – Development phases (Burkett, 2010, p. 13)

This framework was not used as the basis for a sampling criterion, but has been useful for baselining where the organisations were in terms of the maturity of their SE model. A preliminary classification based on questionnaires completed by the organisations and other preliminary data, is presented here. Any changes as a result of information revealed through interviews are noted in *Chapter 6 – Theory of Financial Sustainability*, section 6.3.1. Table 3.2 below shows the distribution of sampled organisations according to the sampling criteria and the additional attribute of phase of SE development based on Burkett’s (2010) framework. This provides an appropriate spread for the purpose of analysing the a priori and emerging themes. While there are no organisations in the start-up phase, those in the development phase exhibit some of the characteristics of the start-up phase also. Table 3.3 below provides the data in support of this classification. This is followed by detailed profiles of each organisation.

Table 3.2 – Sample distribution

	Pre (traditional nonprofit model)	Start-up phase of SE	Development phase of SE	Growth phase of SE	Maturity phase of SE
Medium				PROKRITEE AyrVAID	CMS
Small–medium	CCD		KHMS	Vidya Poshak	
Small	PHCC				
Micro–small			PROWESS		
Micro			Potters Shed A Hundred Hands	SL-NPO	

Table 3.3 – Classification of sample organisations

Organisation	Overall classification E: Employees B: Budget	Sustainability spectrum (Alter, 2007) – social value creation purpose	SE life cycle development phase (Burkett 2010, p. 13)
SRI LANKA			
SL-NPO	E: Micro Employees: < 10 Volunteers ~10 but more to support events B: Micro > \$7000 (not published)	SE	Growth phase
BANGLADESH			
PROKRITEE  PROKRITEE	E: Medium Employees: 110 Artisans: 450 permanent, 360 casual B: Medium ~\$1,500,000	SE	Growth phase
INDIA			
Potters Shed  rural pre-ventures	E: Micro Employees: < 10 Volunteers: < 10 B: Micro \$11,000 (all programs incl. Potters Shed)	SE	Development phase

Organisation	Overall classification E: Employees B: Budget	Sustainability spectrum (Alter, 2007) – social value creation purpose	SE life cycle development phase (Burkett 2010, p. 13)
<p>Palni Hills Conservation Council</p> 	<p>E: Small–medium Employees: 10–100 Volunteers: < 10 B: Micro Between \$1500 and \$15,000 (not published)</p>	<p>Traditional nonprofit</p>	<p>Pre-startup phase</p>
<p>A Hundred Hands</p> 	<p>E: Micro Employees: 1 Trustees (voluntary): 2 B: Micro Between US\$1500 and US\$15,000 (not published)</p>	<p>SE</p>	<p>Development phase</p>
<p>Vidya Poshak</p> 	<p>E: Small Employees: 20 full-time staff, 13 part-time Consultants: 19 Volunteers: ~500 B: Medium \$900,000</p>	<p>SE</p>	<p>Growth phase</p>
<p>AyurVAID Hospitals</p> 	<p>E: Medium Employees: 10–100 Volunteers: <10 B: Medium > \$15,000 (not published)</p>	<p>SE / socially responsible business</p>	<p>Growth phase</p>
<p>Catalyst Management Services</p> 	<p>E: Medium Employees: 10–100 B: Medium–large > \$15,000</p>	<p>SE</p>	<p>Maturity phase</p>
<p>Kodaikanal Health and Medical Services</p>	<p>E: Medium Employees: 10–100 Volunteers: < 10 B: Small > \$15,000 (not published)</p>	<p>SE</p>	<p>Development phase</p>
<p>Program for Women's Empowerment and Self Sustenance (PROWESS)</p> 	<p>E: Small Participants: 10–100 B: Micro Gross turnover: > \$15,000 (not published)</p>	<p>SE</p>	<p>Development phase</p>

Organisation	Overall classification E: Employees B: Budget	Sustainability spectrum (Alter, 2007) – social value creation purpose	SE life cycle development phase (Burkett 2010, p. 13)
<p style="text-align: center;">Centre for Collective Development</p> 	<p>E: Small–medium B: Small Gross turnover: ~ US\$100,000</p>	<p>Traditional nonprofit</p>	<p>Development phase</p>

3.5.1 Sri Lankan Non-Profit Organisation (SL-NPO)³⁶

SL-NPO is an established nonprofit organisation working in the area of drug abuse education and rehabilitation. It provides technical assistance to other organisations in relation to drug abuse and offers rehabilitation support including a technology learning centre. Started by a local community based–organisation, SL-NPO was funded initially by the government, the Commonwealth Colombo Plan and donations which were granted tax exemption. In recent years, SL-NPO’s diminished funding from donations has constrained its ability to deliver on mission-centric social programs. An SE business model has been adapted by SL-NPO to try and add to the funding pool.

The SE model which forms part of SL-NPO’s financial sustainability strategy is generating income through product marketing (e.g. calendars, T-shirts), obtaining special project funding and events such as a national health run supported by corporates and individuals. A key component of its financial sustainability initiative is the technology training centre, which offers IT skills training workshops.

SL-NPO was assessed as being in the growth phase of the life cycle topology based on its longevity, together with the following demonstrated characteristics (Burkett, 2010, p. 13): expansion of activities; making key decisions about the right scale; expanding the market; and growing people.

3.5.2 PROKRITEE

PROKRITEE is a fair trade SE created in 2001 by an endowment from the Mennonite Central Committee (MCC) to manage eight job-creation projects located in different parts of Bangladesh

³⁶ This participant asked that the organisation name not be used in any publication arising from the research and so this generic identifier is used throughout the thesis.

(previously managed by MCC 1977–1999). PROKRITTEE’s mission is to develop the social and economic capacity of poor, rural, disadvantaged women in Bangladesh through employment and access to world markets for their products. It does this by assisting handicraft organisations to get their products to market, for both local and international buyers. Products developed by PROKRITTEE designers and produced by the artisans (over 1500) are sold within Bangladesh and exported to many countries around the world. It provides management, product design and development, and marketing assistance, and is a World Fair Trade Organisation (WFTO).

PROKRITTEE, through its marketing activities both overseas and locally, has achieved financial sustainability (based on published financial data) over the last three years. Overall the organisation has achieved its capacity-building targets, benefiting the lives of poor rural women in Bangladesh during this period.

PROKRITTEE is in the growth phase of the SE life cycle. The organisation has expanded its social capital-building programs over the years and plans to expand its current base through new markets for its products. Financial sustainability has been achieved through effective management and financial practices throughout the organisation.

3.5.3 Potters Shed

The Potters Shed is a project sponsored by the Rural Pre-Ventures Charitable Trust (India) and managed by the Potters Shed Trust since 1994. Its mission is to help educate disadvantaged local children so as to expand their opportunities for the future. The project trains local potters and markets their products of fine glazed stoneware to the local community and tourists in Kodaikanal, a hill station community in the south of India. Profits from the venture are then reinvested into educational scholarships for local school children – a classic SE model:

Today more than 110 children are educated by the Potters Shed. The children are all from economically disadvantaged families. Parents of these children are either employed as unskilled or part-time workers, or unemployed due to illness or disability. The trust provides tuition and an annual medical examination for children ranging in age from 3 to 18 years in ten different local schools. Once a child is admitted into the programme, the Trust funds her/his education through school. (Potters Shed, 2015)

Potters Shed social capital programs are financially sustained by profits from the sale of the products crafted by the potters, donations from individuals and organisations who empathise with the trust’s core mission to contribute to the education and health of the children, and fee-based pottery workshops.

Although the Potters Shed has been operating for over twenty years in the local community, it is assessed as being in the development phase of the SE life cycle. The Potters Shed is focused on strengthening its financial capacity in order to increase the number of children in its social programs. The organisation understands the need to attract, train and retain a skilled group of potters to ensure its sustainability.

3.5.4 Palni Hills Conservation Council (PHCC)

The PHCC was formed in 1985 as a nonprofit organisation headquartered in Kodaikanal. Due to organisational sustainability challenges, the Council is exploring the possibilities of an SE model. The PHCC's mission is to promote sustainable development in relation to forestry and agriculture, as the region is currently subject to increasing development pressure. The Palni Hills are located in the Western Ghats mountains in the south Indian state of Tamil Nadu. The PHCC works with communities in the region; "The core group consists of ecologists, environmentalists, botanists, wildlife enthusiasts and proponents of sustainable development with sixty supporting staff ranging from beekeepers to water experts" (PHCC, n.d.). The PHCC works with farmers and communities to develop and implement sustainable land use and resource management strategies. It provides training, works to restore mangroves and coastal forests, and educates youth on climate change and environmental protection.

The principal funding sources for PHCC projects have been grants provided by Swedish companies and conservation organisations, including the Ashoka Trust for Research in Ecology and Environment (ATREE) and organisations in the USA. ENDS, a Netherlands-based nonprofit organisation, also assists the PHCC in locating donors and technical expertise.

The PHCC is a traditional nonprofit reliant on grants and donations. It can therefore be characterised as being in the pre-startup phase of the SE life cycle, with the intention to reduce its dependence on donations by adapting an SE model.

3.5.5 A Hundred Hands

A Hundred Hands is a nonprofit trust "whose mission is to help those directly involved in the creation of handmade art, crafts and homemade foods, to earn a fair and sustainable livelihood from their work" (A Hundred Hands, n.d.). The collective, through its artisans' membership program, operates at different levels to help small crafts persons and groups to earn more, develop their work and, most importantly, build their own individual brands. This membership program is limited to those who directly practise a craft themselves. The principal marketing event is an annual collective handmade bazaar, which has been held since 2010. The bazaar is a staging post for all

members of the collective to showcase and market their handcrafted creations direct to consumers with no intermediaries. The event over the years has drawn growing support from both artisans and the public.

In addition to donations, as part of a financial sustainability strategy the organisation's corporate outreach programs, in partnership with corporate organisations, design and implement projects that integrate corporate brands with the artisans' handcrafts. The generated income contributes to the livelihood of the artisans and the financial sustainability of A Hundred Hands.

The organisation's focus needs to be on strategic expansion of its current community of handcraft artisans and corporate outreach program partners, and other programs, to enhance its profile in the sector. This in turn should contribute to its financial capacity and sustainability. A Hundred Hands is therefore in the preliminary stages of the development phase of the SE life cycle typology.

3.5.6 Vidya Poshak

Vidya Poshak was formed by a socially motivated group of people in 2001 in Dharwad, a district in the state of Karnataka, with the aim of supporting academically bright students whose families are financially constrained to pursue a university education. Its vision is to "empower an educational community" (Vidya Poshak, 2017b) by ensuring that poverty is not a barrier to individuals realising their full potential, in particular through higher education. It is a government-registered Citizen Sector Organisation (i.e. NGO). Building on this core mission, Vidya Poshak has introduced a range of student support programs such as the Nurture Merit Program, Graduate Finishing School, Centre for Development of Soft Skills, School Leadership Development Program, Avanti Learning Centre and Abdul Kalam Susandhi Fellowship Program.

In order to reduce dependence on the donative model of funding, Vidya Poshak established an SE organisation – Pragati Poshak – in 2007. Pragati Poshak is a graduate finishing school. The three-month training program is designed to empower unemployed graduates to acquire skills which are in demand in the corporate sector. On successful completion of the training, the students are assisted with placements in reputable companies. The money raised from fees paid for this program are reinvested in other programs, although the organisation also receives donations from a long list of donors (Vidya Poshak, 2016).

Vidya Poshak's annual report for 2015–2016 (Vidya Poshak, 2016) claims that the organisation is focused on exceptional process improvements and strategies for sustainable growth. The detailed information in the annual report suggests that Vidya Poshak is growing its programs to

sustainably support its social capacity building projects, developing human resources (both staff and volunteers) and strengthening its governance model. These operational characteristics place Vidya Poshak in the growth phase of the SE life cycle.

3.5.7 AyurVAID

AyurVAID is a chain of Ayurveda hospitals which uses traditional Ayurvedic techniques to treat modern health problems. The hospitals are run by Kerala First Health Services Pvt Ltd, incorporated in 2005. Starting with two hospitals, AyurVAID has expanded to six hospitals with a combined capacity of 120 beds. AyurVAID has received recognition for its achievements: “Voted one of India’s 10 hottest start-ups by Business Today magazine in March 2009. One of three companies selected globally in 2009 for participation in a prestigious joint program from the Harvard Business School and Harvard School of Public Health” (AyurVAID, 2016a). Financial support is provided by the Acumen Fund USA, a nonprofit venture philanthropy fund that invests in SEs in South Asia and Africa. With regard to its current corporate structure as a private company, AyurVAID submits that it has adapted a commercial business model that not only caters to the healthcare needs of the high-end markets but includes low-income consumers, who receive the same healthcare services as high-end consumers under an inclusive but commercial CSR business model (AyurVAID, 2016b):

rather than take a traditional ‘two pocket’ approach to reaching low-income segments with healthcare (i.e. making money in the higher end markets and then providing a subsidized service to low-income groups), AyurVAID believes that the ultimate model of corporate social responsibility is to build an inclusive but commercial business model where low-income consumers are genuine customers with the dignity to choose and participate and which, critically, can run on a sustainable and scalable basis so as to impact the maximum number of people. (AyurVAID, 2016b)

Based on this information, AyurVAID is classified as an SE (Alter, 2007) in this research. However, it could be argued that the corporation is an enterprise practising social responsibility, placing it in the economic value creation group in Alter’s (2007) sustainability equilibrium model, as distinct from the social value creation group.

The Acumen Fund has invested US\$720,000 in AyurVAID hospitals, with an additional round of funding in late 2010. A combination of this funding together with subsidies and partnerships

with twelve leading insurance companies³⁷ has enabled AyurVAID to expand into a six-hospital network with plans for further expansion.

While consolidating its current operations, AyurVAID's mission is to sustainably expand this scope and grow its operations in India so that its healthcare services are available to the wider community. The hospitals are dependent on having the right medical staff. AyurVAID is growing its human resources to meet the growing demand. These characteristics are those of an organisation in the growth phase.

3.5.8 Catalyst Management Services (CMS)

CMS Pvt Ltd was incorporated in 1995 and comprises four groups: CMS consulting services, which works with the World Bank and supports small NPOs in South Asia, South-East Asia and East Africa; Vrutti (since 2004), a nonprofit organisation with the objective of developing entrepreneurship in the farming community (100,000 farmers in five states in India) so as to achieve profitable income streams for financial sustainability; Swasti (since 2002), a nonprofit organisation funded by the Bill and Melinda Gates Foundation for prevention of the spread of HIV that works with over 200,000 sex workers across five states in India; and Fuzhio (since 2005), an SE venture focusing on exploring and building business opportunities for farmers by facilitating the backward and forward linking of farmers with suppliers and markets, and developing appropriate business models. CMS acquires and sells products for marginalised communities (small farmers, sex workers), their organisations and SEs, serving as a bridging platform between small producers and service providers/buyers (The Catalyst Group, 2015).

CMS's consultancy revenue model comprises fees earned from consultancy projects (2015 turnover before audit, approx. US\$0.947 million). The revenue model of Vrutti and Swasti is based on grants, their own resources, and grants and fees for services based on their strategies (Vrutti's 2015 turnover before audit, approx. US\$2.345 million; Swasti's 2015 turnover before audit, approx. US\$1.209 million). Fuzhio's revenue model is based on income from fees for services and sales of products (Fuzhio's 2015 turnover before audit, approx. US\$0.134 million) (The Catalyst Group, 2015).

³⁷ "India's 1st Ayurveda hospital to be accredited by NABH (National Accreditation Board for Hospitals & Healthcare Providers), Quality Council of India – a proud moment for the AyurVAID family and for the Ayurveda sector as a whole. Since 2008, we have been the only Ayurveda hospital chain to be recognized by 12 of the leading Third Party Administrators and insurance companies in India, thereby allowing the AyurVAID Hospital network to provide cashless transactions to patients covered by all four nationalized health insurance companies, as well as to private health insurance companies" (AyurVAID, 2016a).

The constituents of the CMS group – consultancy, nonprofit operations and SE – have over a decade of achievements. The consultancy and the two NPOs have built distinctive and sustainable profiles in the nonprofit sector in the region. These organisations are focused on long-term strategic planning for financial and social sustainability. These organisations as such are in the maturity phase of the development life cycle. However, Fuzhio, the SE, is in the process of building its financial and social capacity close to the levels of the other organisations in the group. Fuzhio also needs to build its profile in the markets it operates in (The Catalyst Group, 2015). These characteristics place Fuzhio in the development phase of the life cycle.

3.5.9 Kodaikanal Health and Medical Services (KHMS)

The KHMS is a charitable trust (Venkataramani, 2014) formed in 2008 which aims to meet the primary and limited secondary healthcare needs of the residents and visitors to Kodaikanal, a small hill town located in Tamil Nadu in the south of India at 2000 m or 10,100 feet above sea level. Given this remote location, economically disadvantaged people previously did not have access to basic medical facilities (it is a three to five hour drive to the nearest town, with no other form of transport). By the time they went down to the closest medical facility for specialised treatment their conditions deteriorated, resulting in fatalities in many cases. Assessing the risks of the journey by a local medical officer would avoid many fatalities. The trust in 2009 established a sixteen-bed hospital including a pathology lab, ICU, operating theatre, ultrasound, X-ray machine, pharmacy and ambulance, in order to facilitate the risk assessment of the journey to a larger town and facility. The hospital services a patient population of 25,000 with the services highly subsidised for those who do not have the financial capacity to pay.

The KHMS depends on a donative model for financial sustainability. The principal sources of funding are philanthropic donations and corporate funding, supplemented by fees charged from those who have the capacity to pay. Plans for expansion are based on the current donative funding model.

Since its inception as a charitable trust in 2008, the trustees' focus has been to build its profile as a leading provider of medical services to the underserved communities in the region and to build a financial corpus for expansion of its services and sustainability. These place the KHMS in the development phase of the SE life cycle.

3.5.10 Program for Women's Empowerment and Self Sustenance (PROWESS)

PROWESS is a self-help group (SHG) of sixteen seamstresses from Kodaikanal. The group's mission is aligned with the policy of the Central Government National Commission for Women,

that is, the empowerment of women. Most SHGs are women's groups with membership ranging between ten and twenty (National Commission for Women, 2012). A "Self-help group is a method of organising the poor people and the marginalized to come together to solve their individual problem. The SHG method is used by the government, NGOs and others worldwide" (Voluntary Operation in Community & Environment (VOICE), 2008, p. vii). PROWESS's mission empowers women with disabilities, abused women and single mothers by encouraging self-determination through awareness-raising and income generation. The members of PROWESS administer, manage and market their handicrafts with the help of professional volunteers.

PROWESS maintains its financial sustainability through its principal source of income, generated through the sales of various handmade objects (soft toys, quilts, home furnishings, accessories and clothing) designed and produced by the seamstress SHG of local women for both the Indian and overseas markets. They are sold from its workshop and attached retail outlet or shipped to its clients inside and outside of India (PROWESS, n.d),

Given that PROWESS is a micro-sized organisation with an SHG of sixteen, it is to be expected that the current composition of the group will change as the members' domestic circumstances change. This necessitates recruiting and training of new members, not only in the production of PROWESS's core products, but also to educate new members on the role and function of PROWESS as an SHG and their role. These changes in membership composition should not detract from ensuring steady cash flow by retaining and acquiring new markets, enhancing its reputation as a producer of quality and innovative products, which are characteristics of an organisation in the development phase.

3.5.11 Centre for Collective Development (CCD)

Founded in 2003 by a professor at the Indian Institute of Management (IIM) in Bangalore, the CCD is a nonprofit organisation that works with small and marginal farmers to establish cooperatives. The CCD collaborates with the cooperatives with the mission to significantly increase the incomes of all by using innovative business models and to spread the adoption of these business models all over the country to benefit farmers and other primary producers everywhere. The farmers are educated in collective methods of pooling and selling, processing, linking with markets and sustainable agriculture practices. Eighty-three cooperatives operate in two southern states (Andhra Pradesh and Telangana) and are enhancing the incomes of 17,000 farmers (Centre for Collective Development: About Us, 2015). The CCD also assists in confederating the cooperatives into district-level 100% for-profit federations. Funding for the federations comes from financial and individual investors.

The CCD itself is a pure nonprofit set up as a trust and operates by raising grants from well-wishers and foundations, as well as corporates under CSR programs and individual donors. There is no income-generation model for long-term financial sustainability. Donations are expended on organisational expenses, capacity building and market support to the cooperatives and federations. Procurement capital for the federations' products is provided through loans from financial institutions and private individuals (CCD, 2015b; CCD, 2016).

As the CCD is solely dependent on grants and donations, it is therefore a traditional nonprofit with no income-generation revenue model. The organisation is not financially sustainable in the long term. As such, the organisation needs to focus on long-term financial strategies for financial sustainability to reduce its dependence on the donative model. The CCD is classified as being in the development phase, as it needs to progress its current business model and build financial capacity to fulfil its mission.

3.5.12 Summary

The above profiles and classification system further highlight the heterogeneity of the NPO and SE sectors in South Asia. Apart from size, location and phase of SE development the organisations vary in other attributes including structure and operating model, purpose and mission, governance and organisational maturity. Structures and operating models range from simple self-help groups to trust-based governance to parent-child structures such as CMS. These variations are in part a consequence of the evolution of the nonprofit sector in each of the three countries, as discussed in Chapter 2.

Even where headquarters are located in major cities such as Bangalore, Dhaka and Colombo, their operations are more decentralised and in rural areas where demand is greatest, and government service provision and support are more limited. AyurVAID is an exception, as it is a large-scale health sector operation which is therefore located in more densely populated areas. Finally, in terms of organisational maturity, all are well established; however, their maturity varies in terms of SE development and financial sustainability. This suggests different levels of human resource capability to deal with change in the environment – economic, social and operational.

This profiling also provides a starting point for making decisions on mode of data collection, including the design of interview questionnaires. This is discussed in the following section.

3.6 Data collection

The primary mode of data collection was semi-structured interviews with executives from each organisation. Interviews were conducted in English. There is ample literature on the qualitative interview process (Travers, 2013; Walter, 2013; Bryman, 2012, pp. 468-499; Punch, 2005, pp. 168-194) and in particular on interviewing in GTM (Charmaz & Belgrave, 2012, pp. 347-365; Charmaz, 2006, pp. 25-35; Polkinghorne, 2005). A practical guide from a PhD student's perspective for data collection through semi-structured interviews follows four steps: interview preparation; outlining the focus of the interview; development of the interview guide; and developing the art of questioning (Duffy et al., 2004; Witzel, 2000).

The research questions and the themes and interview modalities (schedule, location, audio recording, noise issues, no interruptions etc.) were communicated to and confirmed with each participant prior to travel. Setting the atmosphere and tone of the interview at the start made the participants comfortable and relaxed to share their experiences and knowledge of the research topic. The shared socio-cultural backgrounds of the participants and the interviewer perhaps also added to the congenial atmosphere and tone of the interviews (Warren, 2012).

A wide range of academic literature was consulted to determine an interview approach, consistent with the GTM method, which would yield of a rich body of data. The key tenets are identified here. An interview as defined by Charmaz (2006) is: “‘a directed conversation’ (Lofland & Lofland, 1984, 1995). An intensive interview permits an in-depth exploration of a particular topic with a person who has had the relevant experiences” (Charmaz, 2006, p. 25). Charmaz and Belgrave (2012) elaborate on the guidelines for conducting these conversations within the context of GTM (see also Charmaz 2006, p. 25-35). A key concern is balancing the analytical focus of the researcher, in this case the a priori themes, with the need to ensure that the participant is given the opportunity to tell their story in full. The interviewer should further probe areas raised by participants but not elaborated on, for this reason. In addition, the framing of the questions must fit the participants's experience. Here again a balance is required in that a degree of generality is needed to cover a breadth of experience but also be framed such the participant can relate to it from their specific experience. The initial field visit to each of the sample organisations played a key role in forming a view of the participant's experience so as to help in framing the interview questions.

Witzel (2005) suggests that problem-centred interviews (PCI) for data collection in qualitative research facilitate theory generation and neutralise any conflict between being influenced by

previous theories and being open minded. In addition, the interplay of inductive and deductive thinking should augment PCI users' knowledge. The relevant instruments are the questionnaire, the guidelines for the actual interviewing, the tape-recordings of the interviews and a postscript.

As part of the planning for the interviews, a comprehensive and detailed questionnaire (refer Appendix A) was developed under the following themes:

- organisational information
- SE model
- context and environment for markets and risk
- defining the scope of social entrepreneurship in terms of business strategy, business models and organisational structures
- risk
- opportunity recognition, innovation and exploitation
- the role of technology in creating social value; and
- performance and effectiveness in the diffusion of social innovation in social venture formation, reflecting the research question and themes.

The use of an interview guide for semi-structured interviews in qualitative research (Bryman, 2012, pp. 469-497; Stern & Porr, 2011; Mertens, 2010, pp. 242-253) is recommended to serve as a memory prompt for semi-structured questions to be asked on the relevant areas and themes. A series of questions were used as memory prompts and an open-ended version was developed so as to be "sufficiently general to cover a wide range of experiences and narrow enough to elicit and explore the participant's specific experience" (Charmaz & Belgrave, 2012, p. 351; Cyrus, 2005).

Two pilot interviews were conducted with the president, secretary and events organiser of a local bowling club in Sydney. Eleven field interviews were conducted over a period of five weeks in January–February of 2015.

3.7 Validity and quality

The validity and quality of this research is based on three factors: a pre-defined set of evaluation criteria; the framing of the research questions; and researcher objectivity.

Evidence from GTM literature on the criteria for evaluation of the quality of a GTM research study indicates wide variations in evaluation criteria (Birks & Mills, 2011, pp. 148-158; Holton,

2008; Charmaz, 2006; Locke, 2001; Strauss & Corbin, 1998, pp. 268-272; Glaser & Strauss, 1967, pp. 223-225) with no consensus, as illustrated in Table 3.4 below.

Table 3.4 – Criteria for assessing quality of research (Elliott & Lazenbatt, 2005, p. 48)

Quantitative criteria	Qualitative criteria	Universal criteria	Original grounded theory criteria	Strauss & Corbin’s grounded theory criteria
<ul style="list-style-type: none"> • validity • reliability 	<ul style="list-style-type: none"> • credibility • transferability • dependability • confirmability 	<ul style="list-style-type: none"> • validity • relevance 	<ul style="list-style-type: none"> • fit • work • relevance • modifiability 	Two sets of criteria: <ul style="list-style-type: none"> • research process • empirical grounding of findings
(Sheldon, 1994 as cited in Elliott & Lazenbatt, 2005, p. 48)	(Lincoln & Guba, 1985 as cited in Elliott & Lazenbatt, 2005, p. 48)	(Hammersley, 1992 as cited in Elliott & Lazenbatt, 2005, p. 48)	(Glaser & Strauss, 1967 as cited in Elliott & Lazenbatt, 2005, p. 48)	(Strauss & Corbin, 1998; Corbin & Strauss, 1990 as cited in Elliott & Lazenbatt, 2005, p. 48)

Elliot and Lazenbatt (2005) suggest that, notwithstanding the lack of consensus on the evaluation criteria, it is more important to focus on the research method of GTM, identify its components and demonstrate their impact on the quality of the research. This is consistent with the Strauss and Corbin criteria in Table 3.4 above which have been adopted for this research. The validity and quality of this research can be assessed based on the research process described and illustrated in this chapter and Chapter 4, together with the empirical grounding of the findings (Creswell, 2014, pp. 201-204; Charmaz, 2006, pp. 181-183; Maxwell, 1996, pp. 86-98).

Research questions also have an interactive relationship with the purpose, theoretical framework, validity and methods (Suddaby, 2006; Maxwell, 1996, pp. 1-13) in that the formulation of strong research questions narrows down the broad objectives of a research study. This is important since it directs the development of the research method, the data collection and the data analysis strategies that are used to answer these questions. These in turn lead to the generation of valid and quality theory (Creswell, 2014, pp. 139-152; Miles et al., 2014, pp. 25-28; Walter, 2013, pp. 25-28; Onwuegbuzie & Leech, 2006; Strauss & Corbin, 1998, pp. 35-42).

The broad objectives of this research have been narrowed down to one overarching and three sub research questions which serve to focus both the data collection and data analysis process. The overarching research question focuses the research on the size of the organisation (small-

to-medium NPOs), geographical location and socio-economic and political contexts (South Asia), and on a specific organisational goal (financial sustainability) and business strategy (SE business and organisational model). The sub-questions provide both the a priori themes or categories for axial coding and the questions to be answered through analysis and development of theory.

Finally, the question arises as to the extent of influence of researcher bias, beliefs and assumptions over the processes and procedures that have been adapted in generating the grounded theory. Strauss and Corbin (1998, pp. 97-99) assert that this should not be considered an obstacle. The researcher should be sensitive to the possibility of their own or the participants' biases and the influence of the latter on the research processes. However, Strauss and Corbin (1998) emphasise that "it is not possible to be completely free of bias" (Strauss & Corbin, 1998, p. 97). Creswell (2014, pp. 201-203) nominates validity strategies that a researcher needs to incorporate in the study report, one of which relates to researcher bias. Reflexivity and the influence of the researcher's background on the findings both need to be clearly articulated. Walter's (2013, pp. 10-22) conceptualisation of a methodology nominates the "standpoint" as the most important dimension in defining methodology: "Our standpoint – who we are socially, economically, culturally, even politically – underpins the questions we see, the answers we seek, the way we go about seeking those answers, and the interpretations we make, the theoretical paradigms that make sense to us" (Walter, 2013, p. 11). These standpoints and biases are mitigated in this thesis, as suggested by Walter, by a clear articulation of the motivation, prior knowledge and experience, research paradigm, and conceptual framework, and by rigorously adhering to the prescribed procedures as set out in Chapter 4. In addition, the research gives ample space to the voice of participants (see *Chapter 5 – Discussion and Analysis* and Chapter 6) as recommended by Strauss and Corbin (1998, p. 35).

3.8 Ethical considerations

3.8.1 Ethics and human research

Swinburne University of Technology requires that any research activity that includes human participants in surveys, interviews or focus groups must comply with Australia's National Statement on Ethical Conduct in Human Research, published by the National Health and Medical Research Council (NHMRC). The University complies with the 'Code for the Responsible Conduct of Research' and 'Our People's Culture and Integrity Policy' published by the NHMRC. This research, including the methods as described above and the research instruments (see Appendix A) which together constitute the research protocol, has been approved by the University's

Human Research Ethics Committee. The research posed no or minimal risk to participants. All of the interviewees were senior executives and the data collected related to the organisation as a whole, not to individual participants. Reporting and management of the data have maintained commercial confidentiality where required by the participants.

3.8.2 Ethics and GTM

It is noteworthy that Olesen (2007, pp. 425-426) comments that, in spite of the widespread use of GTM in social research over the years, in the GTM literature there is scant mention of the ethical issues involved in the conduct of GTM research. The most critical comment is the absence of ethical issues raised in relation to the grounded theory analysis process, such as deliberately or inadvertently manipulating the coding or theoretical sampling or writing account. This may be ascribed to a lack of reflexivity. Reflexivity in GTM is the evaluation of the degree to which the researcher's experience, decisions, interpretations, positions and assumptions influence the research and the reader of the research; "A reflexive stance informs how the researcher conducts his or her research, relates to the research participants and represents them in written reports" (Bryant & Charmaz, 2007a, p. 609). Bryman (2012, pp. 393-394) and Mruck and Mey (2007) posit, on the communications between researcher and research participants, that professional backgrounds could impinge on the research processes. While not being prescriptive of how to undertake reflexivity, they stipulate possible sources of influence that may affect the pre-research stage, data collection, analysis, theory generation and report-writing stages (Mruck & Mey, 2007, pp. 518-529).

Engward and Davis (2015), Bryman (2012, pp. 39-41) and Strauss and Corbin (1998, pp. 35-53) all argue that the researcher's reflexive stance is evidenced by the transparency of the decisions that are made with regard to the values and practical considerations in the conduct of the research. This reflexive stance is expressed by the researcher in introducing the research and explaining the method, as appropriate to the analysis (Creswell, 2013, p. 47). This researcher's reflexive stance is evidenced in each stage of the research as articulated in this thesis, specifically:

- The framing of the research questions in *Chapter 1 – Introduction*, section 1.6, and design of the research as described in this chapter, in particular section 3.4, have been done in accordance with Mruck and Mey's (2007, pp. 519-521) suggestion that a series of reflective questions pertaining to the understanding and aim of the research, knowledge gained by the research, role of the researcher and motivation of the

researcher be used to add clarity to the formulation of the research questions and the choice of research design.

- This chapter has discussed specific guidelines for sampling and data collection in GTM research to demonstrate a reflexive stance (Creswall, 2014, pp. 187-193; Mruck & Mey, 2007, pp. 521-524). The approach to interviewing of the participants for data collection has adapted the localist perspective (Qu & Dumay, 2011). With regard to the types of approaches to interviewing, Qu and Dumay (2011), in their conceptual paper on the type of qualitative research interviews in data collection, which draws from Alvesson's (2003) discourse on "a reflexive approach to interviews in organizational research" (p. 1), argue the case for adaptation of the localist perspective in interviewing, that is, as an understanding of the social context and not merely an instrument to collect raw data. Research participants' understanding of a social phenomenon influences their views expressed during interviews.
- The reflexive stance adopted in analysing the data is underpinned by the discussion and guidelines given by Creswell (2014, pp. 189-204), Mruck and Mey (2007, pp. 524-527) and Strauss and Corbin (1998, pp. 35-53) and described in Chapter 5.
- Informed by scholarly contributions (Creswall, 2014, pp. 204-211; Creswell, 2013, pp. 213-240; Mruck & Mey, 2007, pp. 527-529; Suddaby, 2006; Strauss & Corbin, 1998, pp. 249-256) on report writing in the GTM process, the substantive theory presented in Chapter 6 exhibits the reflexive stance of the researcher through the transparency of the decisions about the structure of the chapter, in particular the reasons for presenting the theory as a cognitive management action theory (Partington, 2000).

3.9 Summary

This chapter begins by adopting *practical pragmatism* as the research paradigm. This stems from the researcher's own standpoint as a practitioner in the nonprofit sector. Having made this choice, the paradigm then shapes the research design. The choice of GTM as a research approach flows from the paradigm, as it offers a qualitative method which generates a theory than can be adapted to achieve the target outcome of financial sustainability. GTM, however, is an inductive method which is data driven and employs a very detailed coding and analysis of data. This requires careful thought and planning of the design and conduct of the research in the field. In a scenario which is constrained by budget and time, such as in this research, a series of pragmatic choices have been made that establish important practical boundaries for the research, while ensuring that the quality criteria relating to process and empirical grounding can

be met. These decision criteria are: definitional, geographic, budgetary, time and use of a range of sources for convenience and purposeful sampling (including public domain information and the researcher's own contacts). The combination of design choices and sampling in turn influences the process of data collection to accommodate both constraints and logistical considerations.

A preliminary classification of the sampled organisations is presented as early research findings from the desk research, surveys sent to the prospective participants and initial face-to-face meetings in the field. This classification, based on size, social value creation purpose (Alter, 2007) and SE life cycle development phase (Burkett, 2010), ensures that the sample thus selected can yield rich data across the target spectrum of small-to-medium NPOs and SEs, for the purpose of analysis and theory generation. The profiles further demonstrate both the heterogeneity of the sector in South Asia as well as elements of the macro-institutional context explored in Chapter 2, section 2.8.

The following chapter sets out the *pragmatic adaptation* of GTM as the research process, consistent with the paradigm of practical pragmatism, for the analysis of the data and development of theory, specifically in relation to management research.

4 Chapter 4 – Research Methodology

4.1 Introduction

This chapter adapts the tenets of the Straussian (Strauss & Corbin, 1998) approach to GTM for the purpose of this research, and in relation to management and organisational studies. The first step in adaptation is to clarify the core elements (codes, categories, and concepts) of GTM as they are applied to the data in this research. The second step in adaptation is to map out the application of the core processes (theoretical sampling, constant comparison and theoretical saturation) such that they can be executed with integrity given the parameters of this research. The way in which theoretical sensitivity is maintained by the researcher throughout the analysis is described. The analytical process is conducted within the framework of an overarching coding strategy based on the a priori themes identified earlier.

This research is situated in the field of management and organisational studies. As such, the adaptation of GTM must take into account its particular application in this field. The use of grounded theory by researchers in management and organisational research – including financial management, financial sustainability, sustainability strategies and financial innovation – has evolved over the last few decades. This is ascribed to grounded theory's capability for (Locke, 2001, pp. 93-97):

- capturing complexity: this enables researchers to understand the multiple entities involved in the substantive issues under investigation
- linking well to practice: the theories generated enable practitioners to develop a better perspective on the substantive issue, leading to formulation of solutions
- stimulating mature theorising: this brings new perspectives which enable the extension, modification or enlivening of extant theories; and
- supporting development of theory of *new* substantive areas: the data collection and data analysis methods for theory generation enable the unearthing of, and theory generation in, new substantive issues.

Notwithstanding the above, there are two main critiques of GTM in relation to management research. While Locke (2001) finds that many studies fail to follow the analytical process to completion, thus weakening the integrity of the conclusions, Fendt and Sachs (2008) see the need for a more cost-benefit or pragmatic approach to adapting the method. This research

follows the advice of both authors by adhering to a pre-defined procedural framework which allows conceptualisation at a higher level of detail in the data analysis, and managing to a detailed plan (Fendt & Sachs, 2008) which encapsulates the GTM process end-to-end.

This chapter articulates the adaptation of Strauss and Corbin's GTM (Strauss & Corbin, 1998) to the context of this research and maps out the underpinning procedural framework followed in the analysis with particular focus on theoretical sampling and saturation.

4.2 GTM core elements: codes, categories and concepts

Strubing (2007) argues that the grounded theory variant of Strauss and Corbin (1998) draws its legacy from some of the key concepts of pragmatism that relate to the links between data and theory. Charmaz (2006) suggests that researchers can adopt and adapt GTM guidelines to a diverse range of research studies. However, any such flexible adaptation of GTM must include the processes that differentiate it from the generic inductive qualitative model of enquiry. Hood (2007) identifies theoretical sampling, the constant comparison method (CCM) and theoretical saturation as the relevant differentiating processes in GTM. Strauss and Corbin (1998) have enunciated the canons and procedures of the three differentiating processes with respect to the Straussian version, and propose that these should be adapted to suit the particular context of the research (Strauss & Corbin, 1998). The implications for this research are described in more detail below.

Discussion of the three GTM core processes and adaptations first requires clarification of the key terms in GTM analysis, that is *code*, *category* and *concept*, which are at the core of GTM literature and discourses. Scholars and researchers have often used these terms synonymously. Some do not use the term *category*, instead using *concept* as a higher level of abstraction from the initial codes. Others use *code* to encapsulate patterns and themes, and ascribe meaningful code names for further analysis (Bryant & Charmaz, 2007b, pp. 16-18). In this case, *category* is used as a higher level of abstraction of *code*. Corbin and Strauss (2015, p. 220) and Goulding (2002, pp. 74-79) nominate categories as higher level concepts which are delineated by coding. Holton (2007) posits that substantive theory building focuses on coding to decide on a core category and develop concepts. The pragmatist paradigm, which "chooses the right tool for the right job, since all research questions, methodologies, conceptual frameworks, and field work are context specific" (Saldana, 2009, p. 2), underpins Saldana's (2009) approach to coding methods for qualitative research. A *code* is defined as a word or a phrase that is assigned to a slice of data that captures the essence and attributes of the content. The coding process enables

the organisation and grouping of similarly coded data into categories. As the categories are compared and abstracted or consolidated, the analysis progresses to identifying themes, concepts and theory. The GTM cyclical coding process (open, axial and selective) is illustrated in Figure 4.1 below.

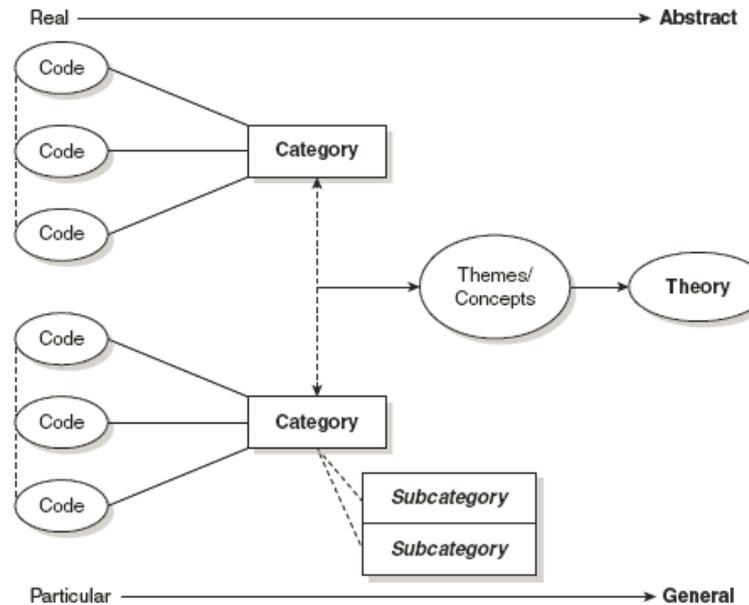


Figure 4.1 – “A streamlined codes-to-theory model for qualitative inquiry” (Saldana, 2009, p. 12)

The definitions that have been used in this research in the data analysis process are those offered by Boeije (2010) and Strauss and Corbin (1998). The latter defines the Straussian approach to GTM while the former, also adopting the Straussian approach, focuses on CCM in particular. The definitions adopted are as follows:

- *code*: “a word or string of words used as a name for a category generated during analysis” (Boeije, 2010, p. 95)
- *coding*: “the process by which segments of data are identified as relating to or being an example of a more general idea, instance, theme or category” (Lewins & Silver, 2007, p. 81, as cited in Boeije, 2010, p. 95)
- *category*: “a group or cluster used to sort parts of the data during analysis and designated with a code” (Boeije, 2010, p. 95); “a phenomenon that is a problem, an issue of significance to the respondents” (Strauss & Corbin, 1998, p. 124)
- *subcategory*: also a category that elaborates the main category attributes (Strauss & Corbin, 1998, p. 125)

- *concept*: “a term referring to a category and used as a building block in a theory” (Boeije, 2010, p. 95)
- *theme*: “the matter with which the data are mainly concerned” (Boeije, 2010, p. 95)
- *theory*: “a coherent framework that attempts to describe, understand and explain the main concern of the research” (Boeije, 2010, p. 95) and to answer the main question as well as sub-questions
- *open coding*: the process of “breaking down, examining, comparing, conceptualizing and categorizing data” (Corbin & Strauss, 2007, p. 61)
- *axial coding*: “The process of relating categories to their subcategories” (Strauss & Corbin, 1998, p. 123)
- *selective coding*: the process of identifying a core category from those categories identified in the previous axial coding step; the other categories are structured as a family of categories around the core category

The GTM process used in this research is illustrated in Figure 4.2 below. The application of this process in management research requires particular attention to completion of the analysis cycle and identification of the core category. This is needed because a large number of studies in this field terminated their analysis before a core category or theory was generated. Jones and Noble (2007) argue that grounded theory in the context of management research risks losing its integrity precisely because the process is not followed to completion. The authors conducted an empirical study of 32 relevant grounded theory studies in management research since 2002. That a substantial number (21) of the studies terminated the analysis before a core category or theory was generated is identified as an issue affecting the integrity of GTM. Most of these were based on the Straussian version of GTM which has been adopted for this research. Of the entire sample, in addition to failing to generate core categories or theory, 14 did not use the standard procedures in data collection and analysis. It is therefore very important that a rigorous study of the kind undertaken here in the field of management research be followed through to completion in order to demonstrate how a theory with practical utility may be developed and to contribute to the evidence base for the integrity of this research approach in this field.

To address these issues in the use of GTM in management research, Jones and Noble (2007) suggest that: researchers make clear the school to which they are adhering; regardless of school, a core category must be identified; and GTM studies “should always employ the major ‘foundational’ procedures encompassing the joint collection, coding and development,

systematic coding, memoing, saturation, and sorting” (Jones & Noble, 2007, p. 100). These imperatives have been met in this research, as will become evident in the balance of this chapter and succeeding chapters.

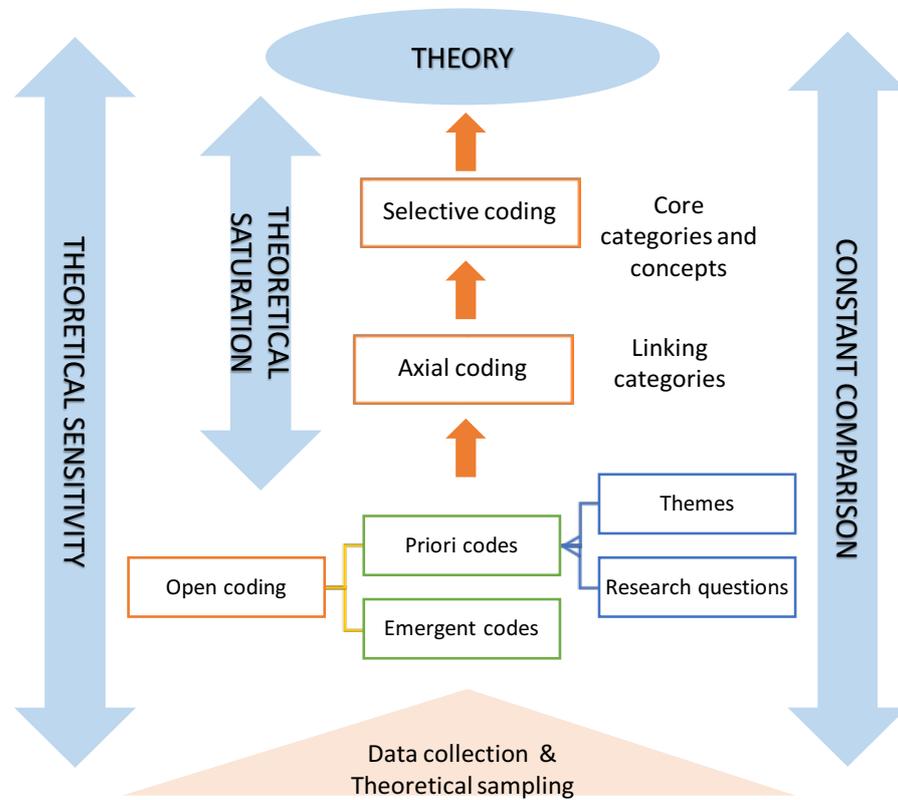


Figure 4.2 – GTM overview

The adaptation for this research of the three core processes of theoretical sampling, CCM and theoretical saturation are described in the following sections.

4.3 Core process 1: theoretical sampling

Theoretical sampling, together with constant comparative analysis and emerging theory, is fundamental to the data analysis process in all forms of GTM (Charmaz, 2006; Glaser, 1978; Glaser & Strauss, 1967). Charmaz (2006) makes the distinction that “initial sampling in grounded theory is where you start, whereas theoretical sampling directs you where to go” (Charmaz, 2006, pp. 99-100). In the context of this research, the researcher’s experiential knowledge of the field of research of NPOs and SEs in South Asia underpinned the *initial selection* of candidates and organisations for the study (that is, convenience and purposeful sampling). This is, in general, consonant with the procedures and canons of GTM literature (Bryman, 2012, pp. 419-422; Charmaz, 2011; Charmaz, 2006; Corbin & Strauss, 1990). *Theoretical sampling* is “the process of data collection for generating theory whereby the analyst jointly collects, codes and

analyses the data and decides what data to collect next to and where to find them in order to develop the theory as it emerges” (Glaser & Strauss, 1967, p. 45). Moreover, In GTM, the steps of data collection and analysis are interrelated and are the basis of constant comparison.

Strict adherence to this procedure has presented some practical challenges in this research. The theoretical sampling process, when strictly adhered to, is comprised of collecting data from a single source, followed by analysis of the data and then coding. Based on the emerging categories, the researcher proceeds to validate, refine and expand the categories by collecting and analysing data from wider and more diverse sources until theoretical saturation, that is, the stage at which any further analysis of data from new sources does not yield any new categories or lead to refinement of those already identified. It is acknowledged that it may be impractical, as in the case of this research, to adhere strictly to a pristine theoretical sampling process. Geographical distances, constrained time windows, scheduling of participants for interviews and budgetary constraints, as discussed in *Chapter 3 – Research Paradigm and Method*, section 3.4, are some of the challenges to classical theoretical sampling. In such scenarios, what is imperative is for the researcher to ensure that the principles of theoretical sampling are adhered to (Birks & Mills, 2011, pp. 69-73; Goulding, 2002, pp. 66-73). In answer to a student question pertaining to the use of data that has already been collected, the response from the authors was to treat this data as follows:

Essentially working with already collected data is no different from doing secondary analysis on one’s own data or someone else’s data ... To handle these types of data, researchers characteristically begin as usual, examining the earliest interviews, field notes, and documents for significant happenings or events. (Strauss & Corbin, 1998, pp. 280-281)

Ultimately, the authors suggest that if there is still insufficient data for theoretical saturation – even with secondary analysis – then the researcher must either undertake more fieldwork or “live with gaps in the theory”. In this research, a subset of the cases (six) has been used for the initial coding and the balance of the cases used for theoretical saturation. This intersection of research themes, case sampling and theoretical sampling is illustrated in Figure 3.2, p. 74. Theoretical saturation was achieved in this research.

Further steps were taken during the field work to optimise the process in line with Birks and Mills’ (2011) advice:

While full transcription of interview recordings may be impractical in the study setting, preliminary analysis of interview recordings and fieldwork notes is not only possible, but in fact likely to be more effective, when undertaken within a short timeframe. Allow enough time between each data generation or collection event to consider the meaning of that data. How does it relate to your developing analysis? Does it confirm, contradict, clarify or expand your evolving theory? What direction does it now suggest? (Birks & Mills, 2011, pp. 71-72)

All the data from all interviews was collected prior to any transcription and formal data analysis (coding, categorisation) during a single gruelling trip covering all three countries. A full day was allocated for each interview. Two hours were allocated for each semi-structured interview, which included an hour for the audio-recorded interview plus time for general discussion. This allowed time for listening to the most recent recorded interview, for reflexivity and for making notes on emerging concepts or themes immediately after the interview; this material then was used to direct the next interview in the schedule so as to gather any new insights on the topic, as illustrated in Figure 4.3 below.

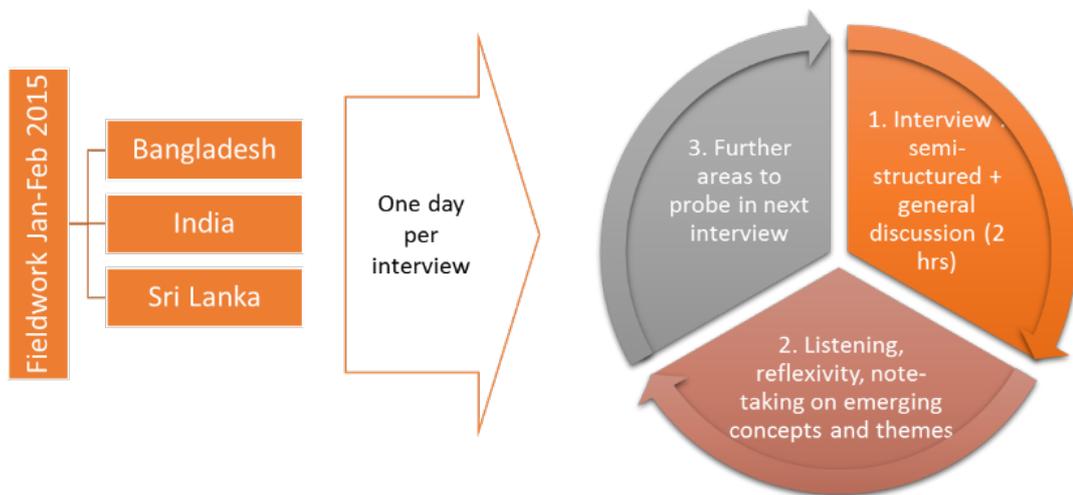


Figure 4.3 – Theoretical sampling in the research project

Thus, the thematic semi-structured interviews, CCM and coding strategy of the research are consistent with the theoretical sampling guidelines, as discussed, within the pragmatic paradigm.

4.4 Core process 2: constant comparison method (CCM)

CCM is commonly adapted to the particular research scenario. Glaser and Strauss (1967, pp. 101-115), Strauss and Corbin (1998) and Charmaz (2006, pp. 11, 94) all articulate their interpretations of CCM in GTM data analysis. Since then, modified versions of each of these approaches to CCM have been adapted to suit the particular research objectives, as evidenced in research and dissertations based on GTM (Fram, 2013; Grove, 1988; Lincoln & Guba, 1985). Constant comparison and coding are interrelated processes and are the basic operations for category building in GTM. In CCM, “the researcher simultaneously codes and analyses data in order to develop concepts; by continually comparing specific incidents in the data, the researcher refines these concepts, identifies their properties, explores their relationships to one another, and integrates them into a coherent explanatory model” (Taylor & Bogdan, 1984, p. 126). *Incident* in GTM is an overarching term for recurring actions, characteristics, experiences, phrases and explanations. Analysis of incidents leads to underlying concepts that can be coded (Birks & Mills, 2011, p. 174). Coding of data and analysis are concurrent processes in CCM. Constant comparison compares incidents to each other, incidents to codes, codes to each other, codes to categories and categories to each other, to look for emerging patterns, themes and concepts for theory generation (Birks & Mills, 2011, p. 11; Charmaz, 2006, p. 54; Kelle, 2005; Goulding, 2002).

Fram (2013) explores the use of constant comparison outside GTM. She argues the case for a theoretical framework based on CCM as it focuses the data at a concrete level. It helps the movement from concrete to abstract during the constant comparison process, in order to find answers to the research questions. However, using CCM in data analysis by itself does not justify the claim that a research study is based on a GTM research design. It is only an assurance that all data has been systematically compared to all other data collected. It is argued that depending on the timing and CCM process, the research will either be deductive and leading to a verifiable theory, or inductive generating theory for a particular context. This research has used theoretical frameworks from the literature to formulate the research question and the associated themes. The research questions underpin the CCM process in this research. The purpose is to generate a theory for the particular context in which the research questions are framed.

Boeije (2002) argues that, notwithstanding the substantial literature on the aims of CCM in grounded theory analysis, there is no clear articulation of how exactly to proceed with CCM and the techniques to do so are unclear for theory development. Further, the literature on CCM does not inform about how to distinguish between different approaches to CCM. Boeije (2002) is also

of the opinion that researchers often do not detail the analysis process, which detracts from the verification and quality of their research reports. The issues of verification and quality of the research will be enhanced by a purposeful approach which provides researchers with a systematised CCM process. This also increases the traceability in the description of the process as to how it has been adapted in practice.

In this research it is proposed to use the first two steps of Boeije's (2002) five-step systematised constant comparison process for interview data.³⁸ This approach to CCM is based on the author's experience in qualitative analysis. The method was developed and adopted in a research study based on a grounded theory study of patients afflicted with multiple sclerosis and their spouses. There are two interconnected activities in the analysis process:

- first, fragmenting or slicing of the data, in which the focus is on themes relevant to the research questions; the process extracts the coded text out of the transcription of the interview – computer software is used for coding, sorting and retrieving; and
- second, connecting, in which the parts of the interview are interpreted as a whole and connected to reflect the interviewee's story.

Boeije (2002, p. 396) outlines five steps of CCM (see Figure 4.4 below) relevant to the particular study to which it was applied and emphasises that the number of steps is not important, as this is dependent on the kind of data that is to be analysed. In Boeije's case the research was conducted across three groups of participants and comparison was done within and between them, hence the five steps. This research, based on a single group has adapted the first two steps: comparison confined to a single interview, which is the open coding process; and comparison between interviews, which is the axial coding process in GTM.

³⁸ Fram (2013) comments that Boeije's approach "is to use the epistemological structuring of the interview process to decide how to use the CCM method to analyse data. In these examples, researchers take a pragmatic step towards breaking down CCM, so as to use the method to answer their research questions" (Fram, 2013, p. 4).

Table 1. Different steps of the constant comparative analysis procedure in keywords

Type of comparison and	Analysis activities	Aim	Questions	Results
1. Comparison within a single interview	Open coding; summarizing core of the interview; finding consensus on interpretation of fragments.	Develop categories understanding	What is the core message of the interview? How are different fragments related? Is the interview consistent? Are there contradictions? What do fragments with the same code have in common?	Summary of the interview; Provisional codes (code tree); Conceptual profile; Extended memos.
2. Comparison between interviews within the same group that is persons who share the same experience	Axial coding; formulating criteria for comparing interviews; hypothesizing about patterns and types.	Conceptualization of the subject produce a typology	Is A talking about the same as B? What do both interviews reveal about the category? What combinations of concepts occur? What interpretations exist for this? What are the similarities and differences between interviews A, B, C...? What criteria underlie this comparison?	Expansion of code words until all relevant themes are covered; Description of concepts; Criteria for comparing interviews; Clusters of interviews (typology).
3. Comparison of interviews from groups with different perspectives but involved with the subject under study	Triangulating data sources.	Complete the picture enrich the information	What does group 1 say about certain themes and what does group 2 have to say about the same themes? What themes appear in group 1 but not in group 2 and vice versa? Why do they see things similarly or differently? What nuances, details or new information does group 2 supply about group 1?	Verification of provisional knowledge of interviewees from group 1; Additional information; Memos.
4. Comparison in pairs of interviews with two partners belonging to a couple	Selecting themes from open coding that concern the relationship; summarizing the relationship; finding consensus on the interpretation.	Conceptualization of relationship issues understanding of the interaction between partners	What is the relationship like from both perspectives? Are there contradictions/agreements between them? What are the central issues and how are they resolved?	(Conceptual) profile of relationship; Extended memos; Inventory of central issues.
5. Comparing interviews with several couples	Finding criteria to compare couples; hypothesizing about patterns and types.	Find criteria for mutual comparison produce a typology	What are the typical differences between couples A and B? What is the possible reason for this? On which criteria can couples be compared? What patterns exist in the relationships of couples that experience this phenomenon?	Criteria for comparing couples; Clusters of relationships (typology).

Figure 4.4 – Boeije's five steps for CCM (Boeije, 2002, p. 396)

4.5 Core process 3: theoretical saturation

Theoretical saturation is the decisive criterion that determines whether a generated theory is complete or not. It is a goal of this research to achieve theoretical saturation. In GTM, data gathering should continue until each category is theoretically saturated. This point is reached when: no new relevant data is emerging; all variations of the category (properties and dimensions) have surfaced; and the relationships between categories are well established (Corbin & Strauss, 2015, p. 198; Strauss & Corbin, 1998, p. 212). However, these criteria are subjective; “Saturation can therefore be defined as ‘a judgement that there is no need to collect further data’ (Wiener, 2007, p. 306)” (Birks & Mills, 2011, p. 115).

However, some scholars posit that this concept, although featuring prominently in the literature, offers no clear articulation of how this can be achieved in practice. Consequently, sample size poses a dilemma in particular for PhD researchers, as they seek to reach theoretical saturation within the practical constraints of their research (Marshall et al., 2013; Baker & Edwards, 2012; Mason, 2010; Guest et al., 2006). Scholarly studies by Mason (2010) and Marshall et al. (2013) on sample sizes in qualitative research have arrived at some interesting conclusions. The former nominates that for grounded theory research, researchers should in general conduct between 20 and 30 interviews. Their study was based on qualitative studies on information systems research. The Marshall study, through a content analysis of sample sizes in PhD theses, also found that the common sample size is between 20 and 30. The study cites several scholars to suggest that theoretical saturation is generally reached at low levels of sample size. However, Mason (2010) arrives at a range of conclusions, one of which it is argued suits the current research: “Irrespective of their understanding of saturation, PhD researchers are using samples in line with their proposal to suit an independent quality assurance process (i.e. doing what they said they were going to do)” (Mason, 2010, p. np). Baker and Edwards (2012), echo this view:

That is, of course, a perennial question if not a great one. The answer, as with all things qualitative, is ‘it depends.’ It depends on your resources, how important the question is to the research, and even to how many respondents are enough to satisfy committee members for a dissertation. (Baker & Edwards, 2012, p. 3)

Based on their experience in a qualitative research study, Guest et al. (2006) contend that the question of how many interviews are needed for theoretical saturation requires a general numerical guideline. A sample size of twelve interviews is suggested as sufficient for theoretical

saturation. Moreover, theoretical saturation will be reached sooner if (Guest et al., 2006, pp. 75-76):

- the same set of questions is asked of all interviewees
- the data collection, sampling and analysis explore the views on the research topic among a homogenous sample group; and
- the sample group is homogenous, where the participants are chosen by common criteria and have similar experience in the research field.

In this research, all of the interviewees responded to the same set of open-ended questions during the semi-structured interviews (refer *Appendix A – Research Instruments*). Both the data collected and the data analysis are premised by the theoretical framework and research questions. The purpose is to distil perceptions of financial sustainability in a homogeneous group. These participants have been chosen by purposive sampling, with experience in this research domain.

4.6 Theoretical sensitivity

Theoretical sensitivity is defined as the ability to identify and extract from the data those excerpts that are relevant to the emerging theory. It is a personal trait of the researcher. In particular during the processes of coding and categorising of the interview data, the researcher must be theoretically sensitive so as to discern, code and categorise those slices of data relevant to the research question and emergent theory (Birks & Mills, 2011, pp. 58-63; Charmaz, 2006, pp. 136-140; Glaser, 1978, pp. 1-17). In the Straussian approach, “One can come to the research situation with varying degrees of sensitivity depending upon previous reading and experience with or relevant to an area” (Strauss & Corbin, 1990, p. 41).³⁹ Having argued for the adaptation of the Straussian approach to GTM, this research assumes that the researcher has engaged with the data with what Strauss and Corbin (1998, p. 47) refer to as “prepared minds” or the researcher’s accumulated knowledge.

In addition to studying the usual non-data research that all qualitative researchers undertake, this researcher’s personal experiential knowledge of small volunteer-based NPOs as well as a 40 year professional background in the corporate sector has also provided some scaffolding for the research. This experience was an asset during the data collection phase of the semi-structured

³⁹ Another variation between the Glaserian and the Straussian approaches to GTM is evidenced in the role of theoretical sensitivity (Fram, 2013; Kelle, 2005, pp. 196-198). In Glaser’s (1978) approach, “The first step in gaining theoretical sensitivity is to enter the research setting with as few predetermined ideas as possible – especially logically deduced, a priori hypotheses” (Glaser, 1978, pp. 2-3).

participant interviews in creating an atmosphere of empathy between researcher and interviewee, in turn conducive to rich data collection and dialogue. Finally, theoretical sensitivity was sharpened in the process of conducting this research and discussions, and through reviews with the supervisory panel, and during the data analysis process of constant comparison and questioning, that is, immersion in the GTM process.⁴⁰

This knowledge, linked with the researcher's objectivity, conferred on the researcher the ability to recognise the concepts and relationships that emerged from the data (Strauss & Corbin, 1998, pp. 46-52).

4.7 Coding strategy

Coding strategy in the context of this research is about the role of *a priori* and *emergent* themes. Strauss and Corbin (1998) define the role of coding as "The analytic processes through which data are fractured, conceptualized and integrated to form theory" (Strauss & Corbin, 1998, p. 3). Coding is the basic process for data analysis in GTM and has also been widely accepted in general qualitative data analysis research studies (Glaser & Laudel, 2013; Holton, 2008; Charmaz, 2006, p. 93). The literature on grounded theory data analysis is rich with information and exemplars of coding styles, the different approaches to coding, how to approach the coding process step by step, requisite skills, coding methods, tips, guidance and recommendations (Miles et al., 2014, pp. 69-93; Bernard & Ryan, 2010; Saldana, 2009; Auerbach & Silverstein, 2003; Strauss & Corbin, 1998; Miles & Huberman, 1994). However, GTM and qualitative data analysis literature also articulates the intellectual and physical challenges that may be confronting to GTM researchers who need to code the data as a first step in the analysis process.

A daunting challenge of the data analysis process is the voluminous amount of data the researcher has to contend with from both primary and secondary sources (Creswell, 2013, pp. 182-183; Auerbach & Silverstein, 2003, pp. 30-32; Miles & Huberman, 1994, pp. 55-56) and being overwhelmed by data overload. The impression that every line or word in the data looks important, make the coding process look like a mammoth task beyond the capability of a single individual researcher. On the other hand, the impression that the data has no relevance to the research concerns can also be debilitating. The best way to counter this challenge is to anchor the analysis and coding to the conceptual framework and research questions (Miles et al., 2014, p. 73; Miles & Huberman, 1994, p. 55). Following Auerbach and Silverstein (2003), the research

⁴⁰ Alvesson and Sköldbberg (2009, pp. 263-277) argue that the synergy between abduction and GTM is also a dimension of the researcher's stance in the data analysis process.

questions, conceptual framework and research concerns have been used as a template and constantly referenced in this research during the coding process (Auerbach & Silverstein, 2003, pp. 42-44).

Fendt and Sachs (2008) recommend a more pragmatic adaptation of GTM for management research. They draw on experience derived from their own research, critical evaluation of the literature on GTM and cross-checking against other management scholars. They conclude in favour of the continued use of GTM in its newer forms. With regard to data analysis and in particular the process of coding in GTM, Fendt and Sachs (2008) suggest that “Based on our own experience, we do not believe that much of the endless rigid line-by-line coding brought the various consulted scholars any further than a less rigid form of abstraction would have” (Fendt & Sachs, 2008, p. 447), they suggest a more economical approach to coding.

The factors that underpin this research and have a direct bearing on the choice of Strauss and Corbin’s (1998) coding method have been discussed previously. These include the research questions and themes, research design and conceptual framework which underpins the starting point for this research and the specific context in which these themes are examined (i.e. small-to-medium NPOs and SEs in the South Asia region, specifically India, Sri Lanka and Bangladesh). The specific research questions that are the focus of this research have been designed with an overarching question on financial sustainability and three sub-questions that explore the five themes in order to understand the dimensions, relationships and relevance, and to generate an integrated grounded theory.

The methodological split between the Glaserian and the Straussian versions of grounded theory with regard to sequencing of the engagement in a literature review also extends to the coding of the data during data analysis. There is substantial literature from scholars and practitioners of grounded theory comparing the two different approaches to data analysis and coding (Bernard & Ryan, 2010, pp. 269-270; Holton, 2007; Kelle, 2005; Heath & Cowley, 2004; Locke, 2001, pp. 63-80). There is no fundamental difference in the basic research process of data collection, coding of raw data, constant comparison, categorisation and developing core categories, theoretical sampling and theory generation. In both versions, theoretical sensitivity underpins the coding continuum. The divergence between the two approaches of forcing versus emergent emanates from the different stances on what constitutes theoretical sensitivity (Strauss & Corbin, 1990, pp. 41-50; Glaser, 1978) during the coding process. Kelle (2007; 2005) contends that subsequent publications from both Glaser (1978) and Strauss (Strauss & Corbin, 1998) fail to clarify the issue, resulting in two distinct coding methods. Consequently, the choice

of the coding process lies between the two-step approach of the Glaserian version – substantive codes and theoretical codes – and the three-step approach of the Straussian version – open coding, axial coding and selective coding (Glaser & Laudel, 2013; Walker & Myrick, 2006).

The choice made in this research sought to be consistent with the pragmatic paradigm and the abductive approach in combination GTM as adapted for this research. The literature on the synergy between abduction and grounded theory has been explored by leading scholars (Timmermans & and Tavory, 2012; Reichertz, 2007; Strubing, 2007; Locke, 2001, p. 59). These scholars concur on the strong links between Pierce’s abductive research logic and the Straussian version of GTM and its pragmatic pedigree. Hence for this research, the logical choice is the three-step Straussian coding process (Glaser & Laudel, 2013; Walker & Myrick, 2006). This coding process enables a liberal stance on the use of previous theoretical knowledge during the coding process.

Kelle (2007) argues the case for using previous theoretical knowledge, if it is based on sound methodological and epistemological grounds, enabling researchers to distinguish between forcing and emerging data:

If that distinction can be made in a proper way the use of a predefined coding paradigm will also become possible: the researcher will then be able to select theoretical codes before the data are coded and to use predefined category schemes without abandoning basic principles of grounded theory (specifically the principle of discovering new patterns and relations in the data). (Kelle, 2007, p. 206)

Glaser and Laudel (2013) and Miles and Huberman (1994) endorse the proposition of using predefined codes and using a “start list” of predefined codes before fieldwork:

One method – the one we prefer – is that of creating a ‘start list’ of codes prior to fieldwork. That list comes from the conceptual framework, list of research questions, hypotheses, problem areas, and key variables that the researcher brings into the study. (Miles & Huberman, 1994, p. 58)

This research has adapted a hybrid coding structure of: a priori codes, that is, a start list of a priori codes based on the research questions and the five research themes; and emergent codes, that is, codes emanating from reading and analysis of the interview transcripts. The codes have

been assigned to words, lines, sentences or paragraphs and in vivo codes.⁴¹ The a priori codes were hierarchically structured in alignment with the structure of the research questions and the research themes. Saldana (2009, p. 45-148) nominates several categories of coding methods and guidelines for selecting the most appropriate, depending on the objectives of the research, research method and research questions. Axial coding has been used in the second round to establish the relationships between the categories/themes/patterns identified in the first round of open coding, as illustrated in Figure 4.2, p. 103.

4.8 Summary

In the words of Strauss and Corbin, “These procedures were designed not to be followed dogmatically but rather to be used creatively and flexibly by researchers as they deem appropriate.” (Strauss & Corbin, 1998, p. 13).

This chapter has described the adaptation of Strauss and Corbin’s (1998) GTM to this *management* research on the financial sustainability of small-to-medium NPOs in South Asia, and the procedural steps followed in the analysis which have led to the development of a conceptual map of the building blocks of the theory. The underlying principle behind this research project’s adaptation of Strauss and Corbin’s procedural steps for data analysis is that pragmatism is the appropriate research paradigm because it is a practical approach to understanding and proposing practical solutions to complex social issues (Star, 2007). Further, consistency between the research questions and how people understand them, and the methods used to answer the questions is a significant feature of exemplary research using grounded theory (Suddaby, 2006; Maxwell, 1996, p. 81). Consistency has been maintained throughout this research by ensuring that the literature-based theoretical framework (Kerlin, 2013; Seel, 2006; Weerawardena & Mort, 2006), research questions, coding procedures and coding strategy, and interview data have been integrated by design, with the objective of finding answers to the research questions.

The chapter has explored how GTM tenets and procedures have been adapted in the data analysis process of this research, specifically theoretical sampling, CCM, theoretical saturation, theoretical sensitivity and coding strategy. The steps of coding, categorisation and conceptualisation of the data have been articulated. The three steps as adapted for this research are: open coding, that is, comparison and coding of a single interview for developing categories;

⁴¹ “The root meaning of in vivo is ‘in that which is alive’, and as a code refers to a word or short phrase from the actual language found in the qualitative data record, ‘the terms used by [participants] themselves’ (Strauss, 1987, p. 33)” (Saldana, 2009, p. 74).

axial coding, that is, comparison between interviews, relating categories to subcategories; and selective coding, that is, identifying and linking core categories and their subcategories.

Finally, through comparison of the findings in this research to the findings of Weerawardene & Mort (2006) and Seel (2006), both of whom addressed the question of sustainability but in different contexts, similarities and deviations are identified which further test the analytical foundation of the theory developed for this research. At the same time, this comparison points to the way in which the theory developed advances previous research. Kerlin (2013), the third element of the conceptual framework for this research, focuses on models of SE. The application of GTM and the theory which is generated, given the range of sample cases, inform both macro and micro institutional processes that shape SE in the South Asia context.

The following chapter applies the methodology described above to the data and presents the results of the three coding steps.

5 Chapter 5 – Discussion and Analysis

5.1 Introduction

This chapter presents the findings from the research based on analysis of the data using open, axial and selective coding. This is a key chapter in that it identifies the core conceptual category – *performance* – together with related subcategories which form the basis for generating a substantive theory of financial sustainability. The GTM coding process is elaborated step by step to substantiate the quality and validity of the analysis based on integrity of the research process and empirical grounding of the findings. Five categories emerged from the open and axial coding: *organisational characteristics*; *performance*; *external factors*; *business processes*; and *technology*. The chapter then elaborates on these findings using tagged verbatim quotes for each category and subcategory.

The final step in the analysis is the identification of the core category. The two most salient categories – *performance* and *external factors* – were examined more closely. The core category that has emerged from this analysis is *performance*. This result has been further tested against, and found to be consistent with, Strauss and Corbin's (1998, p. 147) criteria for identifying the core category: centrality; frequent occurrence; supporting logical and consistent explanation; further elaborated through integration with other concepts; and still holding in the face of variations in the data. In the concluding part of this chapter, a financial sustainability concept map is presented based on the core category of *performance* and integrating three reconfigured subcategories relating to *context* – external, operational and social (refer Figure 5.6, p. 149).

5.2 Codes, categories and concepts

Open coding involves comparison and coding of a single interview for developing categories; *axial coding* is a process of comparison between interviews and relating categories to subcategories; and *selective coding* identifies and links a core category and its subcategories. These categories constitute the framework for generation of the substantive grounded theory of financial sustainability.

The first step of open coding is based on a hybrid coding strategy which uses a start list of a priori codes and identifies emergent codes. The resulting codes, based on one initial interview, are shown in Table 5.2, p. 122. These codes were categorised and then, through a further process of abstraction – axial coding – the categories were reconfigured, drawing on additional interview

data and a process of constant comparison. The result of this step is shown in Figure 5.2, p. 125. The final selective coding step identified *performance* as the core category and further abstracted and reconfigured the remaining categories as subcategories related to performance within an integrated framework as shown in Figure 5.6, p. 149.

As explained in *Chapter 1 – Introduction*, section 1.8, the synergy between the Straussian version of GTM (Strauss & Corbin, 1998) and the logic of abductive reasoning (Timmermans & Tavory, 2012; Charmaz, 2006, pp. 103-104; Reichertz, 2007) underpins the data analysis and theory generation process of this research. Tavory and Timmermans (2014, pp. 51-66; Timmermans & Tavory, 2012) views the three coding steps (open, axial and selective) and constant comparison from an abductive perspective in order to make them more “analytically generative” (2014, p. 52) of new theoretical insights. The authors observe further: “Methods matter. If the contexts of discovery and justification are entangled, then the process of gathering data and analysing observations become critical sites for developing new theoretical insights” (Tavory & Timmermans, 2014, p. 51). This perspective is presented as three movements. Firstly, the mnemonics⁴² used in field notes, transcriptions of interviews and coding resist the researcher’s biased memories and biased interpretations of the data⁴³ that would otherwise call into question the quality and validity of the generated theory. Secondly, defamiliarisation raises questions about familiar objects in our experience that are taken for granted so as to discover new perspectives that demand further investigation. The detailed methodological processes of field notes, transcription of interviews and the coding sequence all support defamiliarisation; “The inscribed text both problematizes and crystallizes things that we would gloss over in atextual accounts” (Timmermans & Tavory, 2012, p. 177). Thirdly, revisiting observations involves the researcher revisiting the coding outcomes through their understanding of current theoretical developments of the phenomenon, thus revealing new meanings and links in the data – a feature of abductive analysis.

This researcher’s pragmatic, reflexive stance further reinforces the synergy between GTM and abduction (May & Berry, 2017, pp. 55-58) as discussed above and as demonstrated in this chapter. The semi-structured interviews were guided by the research questions and five themes derived from the theoretical framework of this research, which in turn is anchored in the literature. However, the interviews were not limited to these themes but were open to

⁴² Mnemonics are memory prompts or annotations to the data.

⁴³ See discussion of reflexivity in Chapter 4, section 4.5.

emergent themes that may influence financial sustainability.⁴⁴ The purpose of the interviews was to elicit the participants' views, opinions and suggestions as responses to the research questions, based on their knowledge and experience as key executives of the organisations they represented. At the same time, the interviewer needed to be mindful of being sensitive to emerging theory, that is, *theoretical sensitivity* as explained in *Chapter 4 – Research Methodology*, section 4.6.

Based on the hybrid coding strategy of a priori and emergent codes adapted for data analysis in this research, a “start list” (Miles et al., 2014, p. 2542) of a priori codes was developed, based primarily on the research questions and the themes emerging from the theoretical framework. The five a priori themes are as follows:

1. *context and environment for markets and risk*: factors that put at risk the financial sustainability of an organisation (government policy, regulatory environment, resource constraints, contextual factors, competition); macro factors in the environment that have a bearing on an organisation's financial sustainability, tax and regulatory environment, political environment and business environment
2. *defining the scope of social entrepreneurship*: in terms of business strategy, business model and organisational structure, risk and how they link to ensure financial sustainability and mitigate risk
3. *opportunity recognition, innovation and exploitation*: the links and contributions of these capabilities to maintaining and enhancing financial sustainability (including successes/failures, lessons learnt, CSR strategies)
4. *role of technology in creating social value*: technology exploitation for financial sustainability, network and collaboration, development, social capital, cost control and e-business model for customer service; and
5. *performance and effectiveness in diffusion of social innovation in social venture formation*: goal-setting and critical success factors, performance measurement criteria, impact measurement and impact of governance on financial sustainability.

Table 5.1 below presents a summary classification of the participant organisations based on the sampling criteria outlined in *Chapter 3 – Research Paradigm and Method*, section 3.4.5, for ease of reference in the subsequent discussion and analysis. In some cases, the actual data supporting

⁴⁴ “Investigators’ decisions about what topics to cover and how best to query participants about those topics are a rich source of a priori themes (Dey 1993:98). In fact, the first pass at generating themes often comes from the questions in an interview protocol (Coffey and Atkinson, 1996:34). Unlike pure literature reviews, these themes are partly empirical” (Ryan & Bernard, 2003, p. 88).

the classification was not publicly available and the classification was therefore based on the initial survey data, with adjustments based on the researcher’s own observations in the initial field visits relating to the scale of the operation. Refer to Chapter 3, section 3.5, for more detailed information about each participant and their organisation.⁴⁵

Table 5.1 – Summary classification

Organisation	Abbreviation	Country/state	No. of employees	Operating budget
SL-NPO	SL-NPO	Sri Lanka/Colombo	Micro	Micro
PROKRITEE	PROK	Bangladesh/Dhaka	Medium	Medium
Potters Shed	PS	India/Tamil Nadu	Micro	Micro
PHCC	PHCC	India/Tamil Nadu	Small–medium	Micro
A Hundred Hands	HH	India/Karnataka	Micro	Micro
Vidya Poshak	VPO	India/Karnataka	Small	Medium
AyurVAID	AYUR	India/Karnataka	Medium	Medium
Catalyst Management Services	CMS	India/Karnataka	Medium	Medium–large
Kodaikanal Health & Medical Services	KHMS	India/Tamil Nadu	Medium	Small
PROWESS	PROW	India/Tamil Nadu	Small	Micro
Centre for Collective Development	CCD	India/Karnataka	Small–medium	Small

5.2.1 Open coding, comparison and coding of a single interview for developing categories

The objective of this first coding step is to develop categories and label them with pertinent codes. Slices of data that are relevant to the research questions are each compared with currently coded categories of the same interview data, to determine whether the particular slice belongs in a currently coded category/subcategory or should be coded as a new category (Corbin & Strauss, 2007; Boeije, 2002). Open coding should follow on from first “digesting and reflecting” on the data (Clarke, 2004, p. 85, as cited in Saldana, 2009, p. 81).

Bazeley and Jackson (2013, pp. 69-70) recommend that the first data source selected for coding is data from a candidate whom the researcher remembers as being typical of a group or subgroup and who has provided rich data for analysis. In this research, interview data from the first participant, representing CMS, was selected to begin the open coding process. This organisation and interviewee were chosen because of their breadth of involvement in the NPO sector and the interviewee’s own qualifications and experience. The interviewee is a director and senior consultant in CMS. The organisation has been operating for over 20 years, providing consultancy services and also working in collaboration with the World Bank. CMS supports and

⁴⁵ In Chapter 3, section 3.5, a further classification was undertaken based on life cycle phase of development as an SE (Burkett, 2010). That was also a preliminary view. Chapter 6, section 6.3.1, revises this classification based on interview data and field observations from the second round of site visits.

manages NPOs in developing countries (see profile of CMS in Chapter 3, section 3.5.8). The interviewee has been associated with CMS from its inception. His expertise is in microfinance in the rural sector, developing entrepreneurship and consulting. He has a Master of Social Work from the Tata Institute of Social Sciences (TISS), Mumbai, and a Post Graduate Diploma in Gandhian Studies (IdeaNInsights, n.d). Moreover, the participant provided management consultancy services to other NPOs.

The researcher met the participant twice, once during the first field trip to discuss the research topic, initial survey and consent to participate in the research, and again later for the semi-structured interview. The researcher was impressed with the wide experience and knowledge of the participant in the nonprofit sector in Tamil Nadu state and India in general. This was evidenced during both informal and formal meetings.

As mentioned earlier, in adopting the hybrid coding strategy of a priori and emergent codes, a “start list” (Miles et al., 2014, p. 2542) of a priori codes was developed, drawn from the research questions and the five themes, which in turn were informed by the theoretical framework of this research, literature review and experiential knowledge of the researcher. This parent–child node structure, as captured in NVivo, is shown in Figure 5.1 below.



Figure 5.1 – A priori codes (NVivo)

The advice offered by both practitioners and scholars is that coding in grounded theory (open, axial, selective) must be done through the lenses of constant comparison, reflexivity and theoretical sensitivity. This keeps the researcher’s focus on the research questions and theory generation (Creswell, 2013; Dey, 2007; Holton, 2007; Kelle, 2007). To do otherwise would result in a bulky corpus of codes and categories, many of which may not have any bearing on the research questions.

The open coding process steps undertaken, based on Boeije (2010, p. 2297), were as follows:

1. The transcript interview data was read on the NVivo dataset, while simultaneously listening to the synchronised audio of the interview. Familiarisation with the open coding process and the use of NVivo for open coding were deemed necessary, as the researcher had no previous experience of open coding, nor of using NVivo and its multiple features. The transcription of participant #1’s interview in the NVivo database, synchronised with the audio of the recording and a hardcopy of the transcription, were used for an exploratory trial run of the open coding process.
2. The text was reread, line by line. Slices of text deemed relevant to the research questions were marked. Each slice of data was compared to determine whether it conveyed similar interpretations/meanings to any of the currently coded categories/subcategories. If similar, the slice of data was assigned to the current category. If different from any of the interpretations/meanings of the current coded categories/subcategories, it was coded as new category with an appropriate code name. All the generated codes and categories in this open coding phase came within the a priori or emergent coding structure.
3. The above process was continued until all relevant slices of data in the entire document were categorised and coded.
4. Each participant’s interview data was then processed according to the same open coding procedure.

Table 5.2 below is a tabulation of the codes derived from the first interview analysed using the open coding process for developing categories.

Table 5.2 – Open coding results from first selected interview

achieving	donor attitude	intermediation	organisational structure	SE transition
adapting to change	donors sometimes dictate	leveraging	outcomes	social challenges
adding value	dynamic situation	linking	partnering	social entrepreneurship
benefiting	economic movement	locating enterprise	partners in our work	social entrepreneurship, which is currently a hot topic
benefits	empowerment	macro factors in market and risk	perceptions	social movement
branding of the institution	entitlements are driving the rural communities	maintain performance	performance	socio-cultural
building business skills	entrepreneurship	make farming a profitable occupation	pricing	succeeding
business diversification	ethics	marketing	project failures	supply-side technology
business models	financial sustainability (SMSE)	measurement	range	sustaining and empowering

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but it is a social approach rather than a business approach	funding	measuring impact	reducing cost	technology
capacity building	funding issues and challenges	micro finance	regulatory and tax	technology applications
change factors	funding sources	micro-financing	risk factors	technology benefits
context	geographical variation	mission	risks to funding	technology issues
cost	–	mission conflict	SE business process	technology strategy
cost of measuring	government policies	motivating	SE business strategy	technology costs
credibility	hiring	not fully aligned	SE competition	technology
CSF	identifying	opportunity recognition	SE context and environment	the dynamics of change
CSR	impact measurement	organisation geneses	SE financial sustainability	we make them partners in our work
developing entrepreneurship	impact of technology	organisational	SE governance	what are we going to achieve?
diffusion	innovating	organisational factors	SE landscape	will add a lot of value to this sector of social entrepreneurship
diversification of funding	innovation	organisational risk	SE mission and goals	

5.2.2 Axial coding – comparison between interviews, linking categories and subcategories

While open coding is about fragmenting data into categories/subcategories and labelling these with codes, axial coding is about reconfiguring the categories/subcategories to formulate precise answers and explanations to the research questions and related themes (Strauss & Corbin, 1998, pp. 123-142). This reconfiguration was an online operation, using the NVivo datasets and features (explore, models, reports, extracts), which facilitated the axial coding process. Comparison between interviews was underpinned by the categories in the a priori (research question based) and emergent coding structures. Sensitising concepts, from the theoretical framework of the research, and the experiential knowledge of the researcher not only guided the data analysis process, but were also used for developing thematic categories during axial coding (Boeije, 2010, p. 2513; Gilgun, 2007; Bowen, 2006).

The axial coding process steps were as follows (Boeije, 2010; 2002):

1. Codes and categories from the previous open coding exercise were reviewed. They were refined where required (renaming codes, merging similar codes and categories, creating new codes and categories).
2. Categories were compared between interviews labelled with the same code, to identify similarities and differences if any.
3. Based on above, new subcategories were created.
4. Main categories were identified.

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Figure 5.2 below provides an overview of the categories and subcategories which emerged through constant comparison and axial coding.

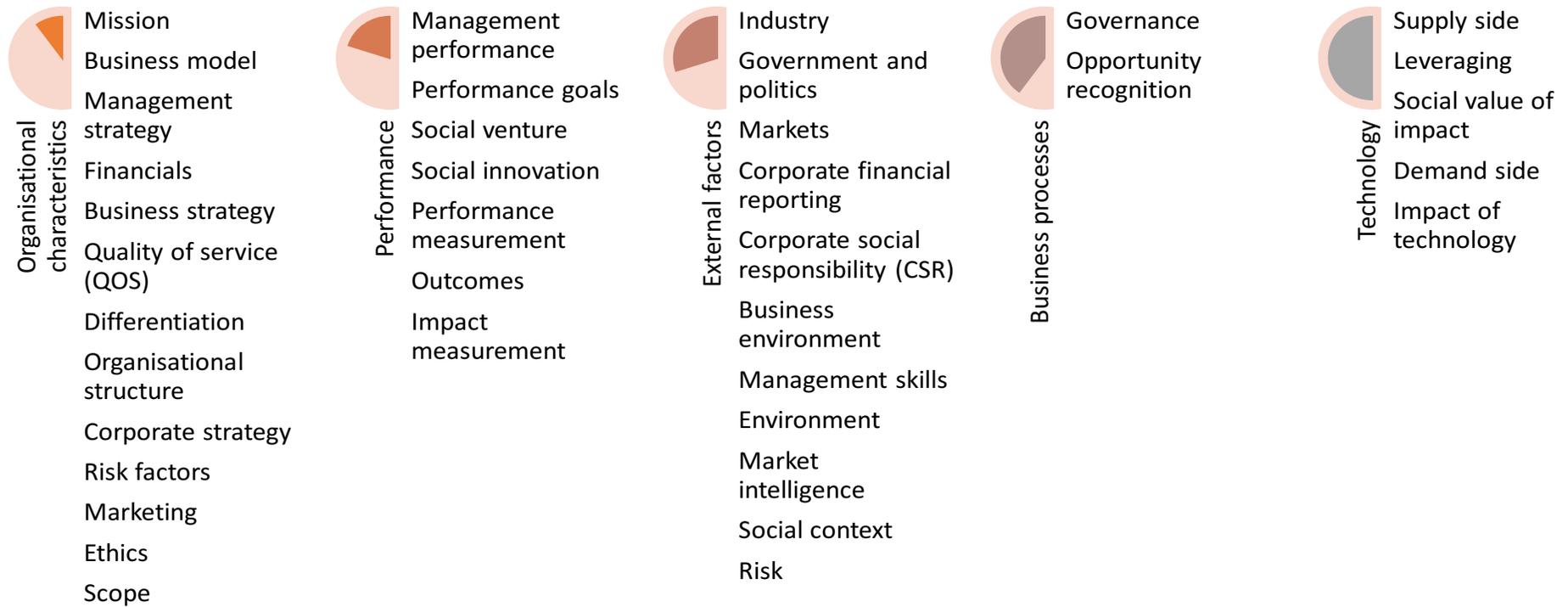


Figure 5.2 – Overview of categories and subcategories

Bazeley and Jackson (2013, pp. 217-241), Buckley and Waring (2013) and Dey (2007, pp. 179-181) all advocate the use of graphical representation in GTM analysis as a means of categorical analysis and also as a visual summary of data in graphs, charts and diagrams that clarify the categories, themes and emerging relationships. Axial coding is an elaboration of categories and subcategories. Diagramming integrates the relevant categories, to assist in the identification of the core category and related concepts in order to form a substantive theory of action (Buckley & Waring, 2013). A list of additional criteria for identifying the core category is discussed in the next section. However, the relative salience of each thematic category, as a *prima facie* indicator, is graphed in Figure 5.3 below. This graph shows the total number of references for each category (including subcategories) in the interviews.

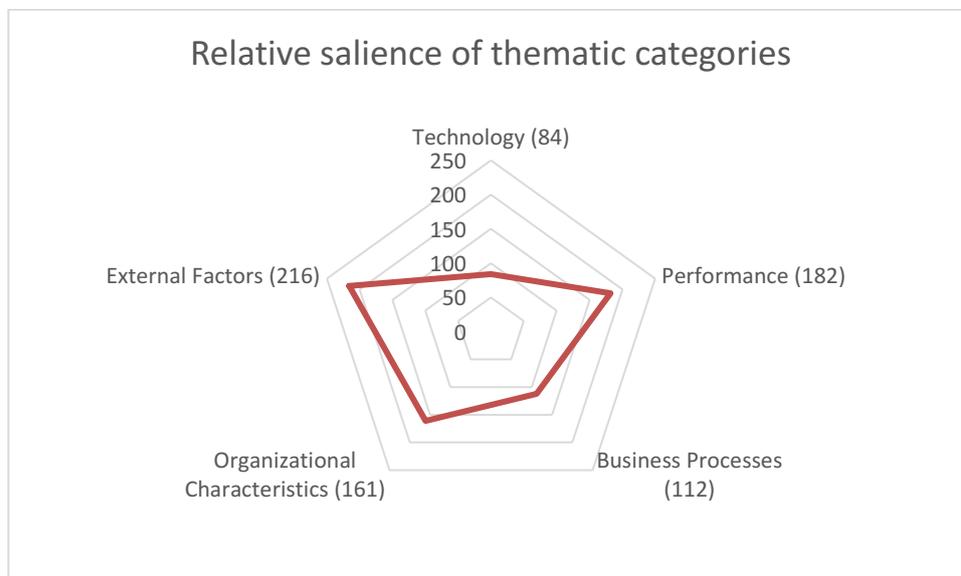


Figure 5.3 – Relative salience of thematic categories

The relative salience chart is based on a content analysis (Leech & Onwuegbuzie, 2011, pp. 76-77; Suddaby, 2006, p. 636) of the data that aggregated the number of references that a code was assigned to in a slice of interview data. The relative salience⁴⁶ of the key thematic categories suggests that the categories of *external factors* and *performance*, inclusive of their associated subcategories, are the two most salient.

The following sections detail the axial coding analysis as follows:

- First, the categories of *organisational characteristics*, *business processes* and *technology* are elaborated using illustrative quotes from participants for each subcategory.

⁴⁶ Salience diagrams are based on content analysis, which is related to CCM analysis in GTM with the difference that themes and codes are counted as they are created (Leech & Onwuegbuzie, 2011, pp. 76-77).

- Second, a more detailed analysis of the two dominant categories – *external factors* and *performance* – is undertaken in order to identify the core category.
- Third, a comparison is made to theoretical literature to further elaborate the emerging core category, consistent with GTM.

5.2.3 Axial coding – elaboration of categories using verbatim quotes

Inclusion of relevant fragments of the verbatim interview data for subcategories is to illustrate the conceptualisation or abstraction from the open coding of the raw data and, through axial coding, to identify the higher level conceptual categories, including links with subcategories (Strauss & Corbin, 1998, pp. 105;125-126). While this may be a common approach in other qualitative methods, its significance in GTM is that this is an interpretivist method with the purpose of generating theory that can form the basis of a practical solution to a problem. It goes beyond description and explanation. Suddaby (2006), in his categorisation and analysis of the misconceptions of researchers who undertake GTM-based research, cautions that writing grounded theory is not a “presentation of raw data” (p. 635); such a presentation of raw data is ascribed to poor analysis of the data. The key process in grounded theory “is identifying ‘a slightly higher level of abstraction – higher than the data itself’ (Martin & Turner, 1983:147)” (Suddaby, 2006, p. 636). Nevertheless, Fendt and Sachs (2008, p. 451) remind the researcher to “Support conclusions generously with verbatim quotes in final manuscript”. Stern (2007) also emphasises the importance of demonstrable evidence that the generated substantive theory is derived from information and data provided by the participants actively involved.

The inclusion of verbatim excerpts from transcripts in reports of qualitative applied social research was the subject of an Economic and Social Research Council (ESRC) funded research study undertaken by the Social Policy Research Unit at the University of York from 2003–2005 (Corden & Sainsbury, 2006). The authors found that verbatim quotes have been found to help to: establish a logical flow from findings, analysis and conclusions; contribute to validity; provide a diversity of voices; and ensure a balance of views. In respect of the latter finding, in this research the consideration is more one of presenting a spectrum of views across the range of MSMSEs. It is important in this research to appreciate the way in which participants arrived at a position in response to a question, that is, the nuances arising from their cultural frame. This highlights their perspective on the issue. Lastly, the authors found that highlighting text, e.g. using a box frame, is appropriate to demonstrate a narrative or, as in the case of this research, a category through its linked subcategories.

The following tables relate the raw data to the conceptual subcategories of three of the five categories identified in the axial coding process: *organisational characteristics*, *business processes* and *technology*. The remaining two categories are discussed later as candidates for the core category. The verbatim quotes are not intended to define the subcategory but, rather, to illustrate it. The source organisation is indicated in an abbreviated form (refer Table 5.1, p.120 for list of abbreviations). The subcategories are arranged where appropriate to indicate a logical relationship and a brief summary tag is provided for each subcategory.

Table 5.3 – Organisational characteristics subcategories

<p>Mission <i>To achieve social change at different levels</i></p> <p>What have I done? What have I invested as NGO money and what have I got out of that? The mission statement of ours describes what we are looking for. We are looking for fundamentally a change in the society. VPO</p>	<p>Scope <i>Driven by gain to beneficiaries, not expansion for its own sake</i></p> <p>And this is not for making profit for PROKRITEE, this is to help a group of people who need help. So we'll make certain [0:36:15.5] to cover our cost, but our target is to provide help to them. That is one of the things what as a social business we are targeting to do. PROK</p>
<p>Differentiation <i>Profits for benefit of participants' beneficiaries</i></p> <p>You look at the other organisation, they would try to achieve their profit target, whatever their business they would set a target in the beginning of the year and they would try to achieve that target, and that profit would be utilised either by the owner of the organisation or the organisation, toward the organisation. But our target is totally, totally different. This is one thing. The other thing is the direct involvement with the producers; you could know who your producers and what his or her demand, and how she could be satisfied. PROK</p>	

<p>Business model <i>Varies – single enterprise, multi-level enterprise, aggregator</i></p> <p>So just only from a business model point of view, there are three competences to the business model we are working on. One is CCD, which is a pure nonprofit set up as a trust and it operates by raising grants from well-wishers and foundations and spending it. There is no revenue model. There is no corpus. The second competency is these farmer federations. These are a hundred per cent for-profit organisations; however they are completely owned, managed, controlled by the farmers. The third organisation, which was my ... you know, interest, was to create another entity which is more corporate like. CCD</p>	<p>Organisational structure <i>Becomes more formal as organisation grows</i></p> <p>Well, we have a good structure of management, like I am at the top, but there is a board, and the board is, the board sits every quarter and then gives us our policy directions and all we need to report to them from time to time. But under me there is a body called PROKRITEE Management Team; we have a director, marketing director of production and director administration, and we have a director of finance, so that all these directors come by PROKRITEE Management Team. PROK</p>
<p>Management strategy <i>Empower participants and beneficiaries</i></p> <p>One thing what I found effective is to ensure a participatory approach in the organisation, like [0:41:57.2], you give people, you empower the people and they will empower you; that is the strategy what we follow. PROK</p>	<p>Corporate strategy <i>Focus on structure for scalability</i></p> <p>CCD was a vehicle to raise money from philanthropists and other interested parties. And the third competent was the section twenty-five company, which will take up things like marketing, for example, where you needed to hire qualified professionals, pay them decent salaries and then that's the basic model we went by. So take stock now and see what you want to ... CCD</p>
<p>Business strategy <i>Simple short-term targets</i></p> <p>Well, our target is to achieve the sales, not the profit, because we need this month's orders for our producers because we are working a larger number of producers each year. PROK</p>	<p>Risk factors <i>Human resource, human capital</i></p> <p>Every NGO has been ... started off with people like that. They are not able to build a second line of organisation bringing in people with similar amount of combination of passion for change and competency. There's a huge gap between person and the rest of the ... CCD</p>

<p>Financials <i>Managing tension between social mission, commercial imperatives and donor expectations</i></p> <p>It is mindset of, because from a voluntary nonprofit organisation, as soon as you move into business, then they say this is now becoming a corporate entity and moving away from its core value. And they say to straddle both sides is a challenge. So your goal is eventually saying you have got to do something like this to lessen our dependency on that. And if you move into that sort of social enterprise structure, will you run into problems with the government funding, USA, then all that sort of thing? Because [0:23:28.2] but does moving into a social enterprise also enable the traditional funding that you get from these other sources? SL-NPO</p>	<p>Marketing <i>Cost or investment?</i></p> <p>Look, if you are this kind of services has to be marketed. Right, and then you have to, then, of course then what they would say is a professional marketer is so expensive and they can't afford to have a professional marketer. SL-NPO</p>
<p>QOS <i>Tension between local standards, local market and expanding markets</i></p> <p>Yeah, so in this sector my experience has been having spent twenty-five years in the corporate side, where it's taken for granted everybody understands the value of a process, a service level agreement, SLA. These are concepts which are not very common in this sector for various reasons. KHMS</p> <p>In general we, this is, sorry to say but that, and nation-wise we are not very much quality concerned. You know, we try to get the things done and then pack it and then send it to the export market, so that instead of taking hard stand the quality, because you have to sustain in the market, so quality and the, one of the big thing in many organisation is the accounting system. PROK</p>	<p>Ethics <i>Mandatory</i></p> <p>I have been fairly particular that when you do anything, do it in an ethical way, you know, so it gave a tremendous opportunity that an ethical business, social good and you know, huge unlimited market, which has not been done. KHMS</p>

Table 5.4 – Business processes subcategories

<p>Opportunity recognition <i>Recognised but focus is the challenge</i></p> <p>If you look at opportunity recognition, we understand opportunities; whether we understand too many opportunities, we should be more focused and restrain ourselves, that is a moot point, but we are recognising that. AYUR</p> <p>So you know, we always tell our field staff that we work with families, not with individuals. So in families we have what is called a four E approach. The four Es are entitlement, enterprise, employment and education. So basically the idea is that you look at all these four opportunities because we consider that to evaluation of the families. CMS</p>	<p>Innovation <i>To be competitive and to continuously improve</i></p> <p>But I think that what is needed is for us to become innovative in our approach, and if you have innovation you can always meet the competition. SL-NPO</p> <p>We have a lot of brainstorming sessions amongst the team and I think ... it's not that the brainstorming is always with a purpose, say, "Let's look at what innovation we can do." It's often innovation just springing from either trying to resolve the problem or evaluating growth strategies. "Should we do this or that?" AYUR</p>
<p>Process efficiency <i>Continuous focus</i></p> <p>I think we as a company are constantly looking at better ways to do things and identifying problems. AYUR</p>	<p>Financial management and accounting <i>More attention needed to budgeting and forecasting for sustainability</i></p> <p>Everybody tries to do something good but without having good accounting knowledge, so if you do not do proper costing of your product, proper pricing of your product, then how could you sustain the market? Even making one or two shipments and you are, that would not be helpful for your organisation to be sustainable in the long run. So these are the areas where you need to take care. PROK</p> <p>Every year that I need to raise twenty-four lakhs,⁴⁷ what I'm looking is, beside my deficit of ten lakhs, I want to look at another twenty-four lakhs which will create a poor fund to do poor service, for needy, absolutely needy and needs it. KHMS</p>
<p>Governance <i>Empowerment, inclusion, transparency at an operational level</i></p> <p>The organisation, from the very beginning, from where it started as KOPEDEG, was always transparent. Everybody knew what everybody else was making. PROW</p>	

⁴⁷ One lakh is 100,000. Rs 24 lakh is approx. US\$6400.

Table 5.5 – Technology subcategories

<p>Demand side <i>Benefits to target communities</i></p> <p>So mobile phone based applications are coming up everywhere. You know, I'll tell you an example. For example, we work with a company and what that company does is that even a farmer has his produce, the farmer can go and keep it in [0:31:39.7] and at that point they freeze what is a quantum of that product on produce and what is today's rate. For that rate they give sixty per cent as a loan so that farmer can take money to them. Then every day he gets a message on his phone saying that what is today's rate. And when the rate reaches some substantial level, they immediately say now sell off. So mobile phone based applications are coming up everywhere. CMS</p>	<p>Supply side <i>Partnering criteria</i></p> <p>In fact, even when we talk to any company, unless they are technologically enabled we don't partner with them. Technology has become the first level of – first indicator of [0:33:03.6] this one. So technology only in my opinion has brought all these relationships. So it's very, very crucial. So telecom companies, Google, these are actually driving today innovations in technology. Institution like ours cannot fund to do much for that. CMS</p>
<p>Leveraging <i>Compounding benefits to organisational capability and efficiency</i></p> <p>One of the key advantages of getting into projects which had a foundation [0:38:36.8] information technology was that we were able to attract people who had a [0:38:44.0] information technology and that immensely helped in creating, like what I told you, like improving the efficiency, the effectiveness within the organisation, the productivity, as well as that they've been able to use much of our social media in developing, in boosting the image of the organisation to make people understand the kind of thing that we are doing. SL-NPO</p>	
<p>Impact of technology <i>On all areas of performance</i></p> <p>Absolutely, I think the whole sector will undergo a kind of a transformation because of availability of technology and options, whether it's the funding, whether it's getting people, whether it's marketing their services to their stakeholders. It will become easier and better with the help of technology. CCD</p>	<p>Social value of impact <i>Social mission enhanced through SE use of technology</i></p> <p>The second one is the advantage of that the computer has given them in following their costs. Profit and income and expense are followed practically by the day. PROW</p>

5.2.4 Axial coding – salience analysis of categories and subcategories: external factors

The subcategories of *government and politics*, *social context* and *risk* are the three most salient subcategories commented on by participants in the *external factors* category (see Figure 5.4 below). This result is consistent with Kerlin's (2013) MISE framework of macro-institutional factors and their influence on the model of SE that emerges in a country.

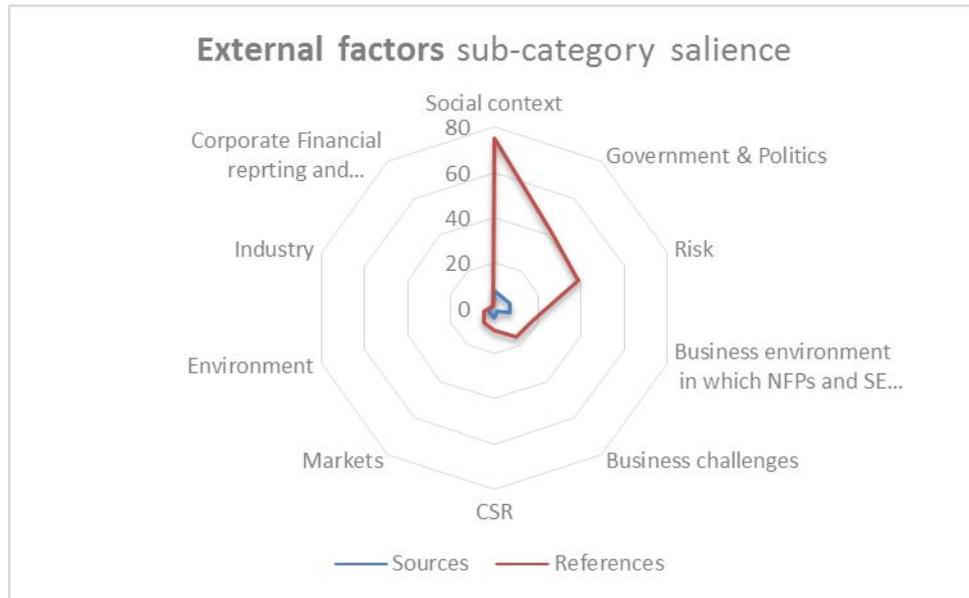


Figure 5.4 – External factors subcategory salience

Looking more closely at the *external factors* highly salient subcategories, *government and politics* has a significant impact on the organisation’s financial sustainability as a consequence of the regulatory environment, including matters such as taxation as an instrument of government policy:

So one of the government regulations states that if you earn beyond a certain amount, then you are entitled to pay service tax. Once you pay service tax, then there is no distinction between donation and revenue. The distinction is in order to get donation, we haven’t provided any service to anybody. In order to get revenue, we have to provide some service. So we are selling something there. Here, we are not selling anything. Then the government is blind enough not to recognise the difference between a grant and revenue. VPO

Another area of regulation that crosses over into the political domain is foreign sources of funding:

However, one policy increased the regulatory content in terms of money that was coming in from outside the country. So we have supporters and well-wishers, donors, from outside the country. Money that was coming in was scrutinised that much more vigorously. PROK

The macro-institutional context (Kerlin, 2013) for each of the three countries was described in *Chapter 2 – Theoretical and Empirical Literature Review*, section 2.8. One factor which impacts

on the emergence of sustainable SEs is the level of government support, not only in financing but across a range of policy areas (Satar, 2016). This in turn reflects the political and economic contexts – both historical and current – which influence government relationship with the NPO and SE sector and its capacity to provide a comprehensive policy framework and financial support given other pressures. This is evident in the stories told by participants of the genesis of their organisations. Prokritee, for example, was started by the Mennonite Christian Commission (MCC), in the USA but subsequently handed over to local owners, who were reluctant initially due to the difficult economic conditions in the country, but desired to reshape the organisation to become a better fit socially and culturally. Ultimately MCC agreed to play only a funding role, giving the new leadership freedom to reshape the organisation as they saw fit:

Mr [0:03:42.0] was invited to take over MCC's business, and then at that time you need to know one thing that there are in our country, a famine was going on, many people were dying [0:03:57.6] on the street. So then MCC decided to support him by giving staff and finance for the following three years to run that shop. And that was a good decision because after that three year [0:04:32.7] did not have to return it. PROK

SL-NPO's story begins with a local organisation which saw a need and then set out to leverage whatever funding sources were available at the time. As the quote below indicates, it also relied initially extensively on external – to Sri Lanka – support with some assistance from government in terms of tax benefits to donors via a trust structure:

The organisation was started by the [local community organisation] and also it was supported by the President's Fund at that time and ... we also have the support of the government body and the Colombo Plan Secretariat [an agency of the Commonwealth], who supported it. The beginning was through donations. Then we moved on to getting project funding ... then we had got a charitable status, which gives exempt for the donors, the people who are, especially the corporate sector. SL-NPO

Lastly, Prowess, established initially as a society, later became an SHG. The third option available was a trust structure. This demonstrates the different context in India, which provides better support, at least in terms of legal constructs, to the sector consistent with the more mature and cooperative relationship between the government and the nonprofit sector in India, vis-à-vis Sri Lanka and Bangladesh:

We have to distinguish what type of organisation we are dealing with. At that time it was a society. It was a society registered under the Societies Act. Societies ... can use some of

the money for further spending, but essentially they are not allowed to make money. ... Now, the government of India offers two other structures. One is the trust. A trust should be by definition a not-profit-making organisation, but usually a trust relies on the funds from donors, donations to continue on and pursue their activities. ... The number three is what is called self-help group (SHG) ... to help kick-start activities, especially among women. PROW

Social context is multi-faceted, as would be expected. It can relate to family structures and social structures:

The second challenge is perhaps a societal challenge. I would like to also talk about how we have helped to some extent in dissolving that. In this region specifically children ... especially girl children are encouraged to study up to their graduation and immediately afterwards they are married off. Now, there is nothing wrong in getting married, but the students, these girls, end up becoming just mothers and homemakers, rather than using their skills to contribute to the husband's family or to their family, in fact. So that is the other challenge. VPO

It can also relate to relationships which, although essentially commercial, given their very local nature, take on a social dimension, which the nonprofit organisation needs to navigate:

The basic problem in villages, if you've read the literature, is that the money lender is a huge influence and control. The farmers typically have no choice but to go to the money lender. There are two major risk they have. One is, if you go with a fifty kg bag but I will say it's only forty kg, the poor farmer has no recourse because he doesn't have a way to validate that. The market price is ten dollars, he will say it's eight dollars. So straight off the farmer loses. CCD

Lastly *risk*, also multi-faceted, but in MSMSEs, with a high voluntary labour component and a vision driven by a founder or key individual, this can become a survival factor:

I have seen organisations which become much bigger but will have a challenge once the promoter is not there. So very few organisations have sustained beyond the life of the promoter to build a sustainable institute. If they have, their scale is limited. CCD

At macro level the risk factor, like I told you, is one of things that, you know, is we are non-governmental organisation and we're a nonprofit organisation as well, but there is no ownership to the organisation. So then what happens is that, what shall I say, there

are no shareholders, stakeholders. What happens, because you find the commitment of the board might dwindle and it all depends on who is heading it. SL-NPO

For completeness, the following table illustrates, through verbatim quotes, the remaining subcategories.

<p>Industry <i>Change through industry-wide commitment</i></p> <p>No, definitely without concerted industry level action, change is not going to happen and [0:37:06.7], you know, we lobbied with the government for inclusion of Ayurveda for different forces, so that was, we got ten thousand signatures on an online petition, and also got many of the major industry houses to back it. So all that did happen. AYUR</p>	<p>Markets <i>Need to understand/anticipate product life cycle</i></p> <p>Market cycle. They have understood the market is what is their source of fund but also what constrains them, so this is something that I think has been also successful, the fact that they understand the market, the rules ... for us there are many risks, like some of our products, you know, we, if you look at the back from five, ten years back from now, we never thought that our products will have life, you know, handicraft might have life. PROK</p>
<p>Market intelligence <i>Protect brand and value add</i></p> <p>But we have to do something to protect our product because people are in competition and you've taken copy of product, they can approach to even our present [0:32:03.1] being sent to some customers outside and they would think that this is their product instead of ours, so we are trying to establish some kind of guidelines to protect our products here. This is one of the things what our people are facing that, oh, what is coming up, what is coming up? How that would work? So this is one of the things what we have, we are addressing now carefully. PROK</p>	<p>Business environment <i>Volatility – sometimes economic, sometimes political, sometimes both</i></p> <p>Due to the economic problems in some of the countries, again what happens is that the funding starts dwindling. Then you don't have sufficient monies to do what you need. I could see that there has been, like as mentioned by you before, the nonprofit organisation and in Sri Lanka has gone through lots of changes, from being recognised and being supported as a particular need in the country. It has almost now become, what shall I say, like a hated community within. SL-NPO</p>

<p>Management skills <i>Required and expected by donors</i></p> <p>Money is one of the factors, but this is not the, all. So money, at the same time, you need to have this skill and then management to have success in total enterprise, I would say. This is a concept in India that people like to give, and people like to give to a people who work consciously. I have seen bodies going down the, is because of people who are managing it, have lost the basic ethos of running it. PROK</p>	<p>Environment <i>Business cycles shaped by climate</i></p> <p>Other thing is the environmental issue, like in Bangladesh the rainy season is being expanding every year; currently it is five months. On five months our production gets slow, so we are trying to figure out some products when there is rain, then we could use our producers to use their capacity to produce that kind of product. So we are trying to figure out what to produce in the rainy season. And then we are also using some of the technologies like dehumidifying machine; when we produce anything in the rainy season then we should dehumidify, moisture levels should be a certain level so that that can be exported. PROK</p>
<p>Corporate financial reporting <i>Good works not enough</i></p> <p>Everybody tries to do something good but without having good accounting knowledge, so if you do not do proper costing of your product, proper pricing of your product, then how could you sustain the market? Even making one or two shipments and you are, that would not be helpful for your organisation to be sustainable in the long run. So these are the areas where you need to take care. PROK</p>	<p>CSR <i>Emerging concept in the region – uncertainty as to its impact on MSMSEs</i></p> <p>I don't think it comes willingly because now we're finding under the CSR trust that the corporate sector is making it a part of their own arm and also because they are looking at how they can pay, well, get mileage out of that kind of [0:18:42.7] So we do have to market it. SL-NPO</p> <p>On the second question of corporate social responsibility it's I think a question of maturity of society. In India I think people will still use CSR broadly as more of a PR and try to get marketing mileage out of it and do the bare minimum. I know individuals and companies who are genuinely using this to do good and the new law that's come up which says that you are to set aside certain percentage of your profits towards doing this, whether it's actually going to make a difference to the availability of capital for this sector, I don't know. CCD</p>

5.2.5 Axial coding – salience analysis of categories and subcategories: *performance*

In the thematic category of *performance*, the subcategories of *performance measurement* and *impact measurement* were most often referenced by participants (see Figure 5.5 below).

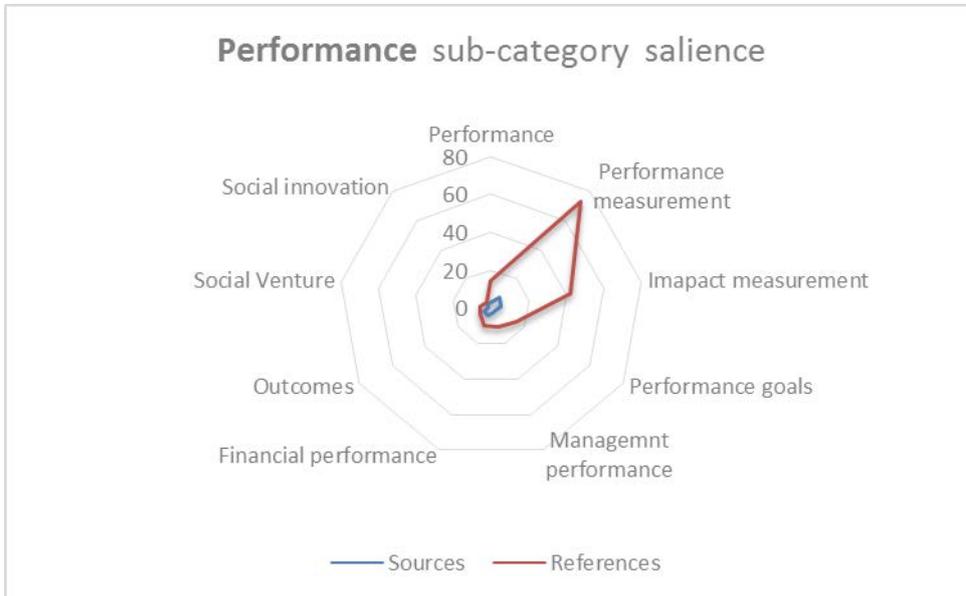


Figure 5.5 – Performance subcategory salience

Within the category of *performance*, the subcategory of *performance measurement* stands out as highly salient. The struggle for many organisations is to make the bridge between performance understood as the achievement of goals and outcomes, and the accountability aspect that comes from hard measurement:

But what happens is that you cannot identify indicators of that sort because it fluctuates so much, right? And like I told you, like now we have very limited staff. Now, one person may be handling, you know, so many areas, doing looking into, you know, you’re always wearing ten hats. SL-NPO

So the social enterprise has limited time resources. So one point of view is to say, hey, you know what, the farmer to whom I’m trying to provide service is a better judge of whether I have added value to them or not. CCD

Impact measurement resonates for participants in a different way, as it is seen as relating more to the community than to donors and reflects both short, medium and long term goals and perspectives:

Well, impact is a long-term gain. Right. So if you do a one-year program, two-year program and if you still want the impact to be then, it is still in a stage you can’t expect

impact to happen so early, right. So we call them, you know, we transfer them into three categories: output, outcomes and impact. So outputs are whatever it is they [0:39:28.5]. Outcomes is what has changed in the life of your customers. Impact is long term, impact is when the whole community or the whole society ... It will come not just because of us, it will because it is the effort of everybody, how everybody is contributing towards the goal. CMS

Similarly, *performance goals* themselves are understood in terms of social capital creation, although the connection with the concept of social value creation in an accounting or measurement sense is not made:

One metric which has nothing to do with accounting is, as we said before, the social success of that organisation. PROW

I mean, one of the important metrics is to also assess how their academic performance has been. Somebody who came to us at eleventh grade, how did he or she perform in eleventh grade? How did the child do in their twelfth grade? How many of them went to a professional course? How many of them went to a certain set of colleges which is considered premier colleges? For us that's also success criteria, if you wish. VPO

For completeness, the following table illustrates, through verbatim quotes, the remaining subcategories.

Social venture <i>Emphasis on social outcomes</i>	Social innovation <i>Culture of innovation</i>
<p>And this is not for making profit for PROKRITEE, this is to help a group of people who need help. So we'll make certain that we cover our cost, but our target is to provide help to them. That is one of the things what as a social business we are targeting to do. PROK</p> <p>But still, the greatest asset is the fact that they have a skill that they can market, so even at the individual level, they will be able to use that skill. PROW</p>	<p>I think we're a highly innovative company. We've taken something which is, absolutely no structure to it earlier inherently there, but put into a world-class process framework and continuously improving, building value based on understanding the current reality, and so without doubt in all aspects of functioning we're extremely innovative. I would say that we, the culture of innovation would definitely need to go in deeper. AYUR</p>

<p>Management performance <i>From informal to formal – transition state</i></p> <p>So whether it is performance evaluation, whether it's goals, whether it's an accomplishment, we are in the transition phase where we are moving from a completely informal into a kind of a process-based model. Given the size of most of these organisation the social [0:48:40.1] is just managers. It's like a small business that you run. I understand both the importance of metrics and the limitations of metrics. Once you start measuring and people know you are being measured, there is always a tendency to game the system. CCD</p>	<p>Outcomes <i>Distinction between outcomes achieved by target beneficiaries and impact of organisation</i></p> <p>So in my opinion, people like us should not go to measure impact, we should go to measure the outcomes, you know. So in outcomes, I'm saying basically, whatever we wanted to do with our customers, is it happening? Outcomes is what has changed in the life of your customers? We are saying that a woman is financially empowered so that she can say no to a customer who doesn't want to use a condom. That is the outcome we're expecting. CMS</p>
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At this stage in the analytical process, *external factors* is a diverse mix of subcategories while *performance* is emerging as more strongly anchored in a central concept as a response to the overarching research question: How can small to medium-sized NPOs in the South Asian context achieve financial sustainability through SE business and organisational models? The next step in identifying the core category is to examine it in relation to prior theoretical knowledge.

5.2.6 Axial coding – deviations from/similarities with prior theoretical literature

The abductive approach of this research adapted from Kovacs and Spens (2005, p. 139) encompasses an understanding of the deviations from and similarities between the findings from the data analysis process of this research and prior theoretical knowledge. This knowledge was synthesised into a conceptual framework for the research as a whole, as developed in Chapter 2. Seel (2006) researched the sustainability of the nonprofit sector in Canada. Weerawardena and Mort (2006) investigated the Australian nonprofit sector and proposed a multidimensional model of social entrepreneurship that addresses the policy directions of governments and the capturing of competitive advantage for the organisation. While these two scholarly research studies have examined SE from different perspectives and as such cannot be directly compared with the findings from the GTM analysis of the interview data from this research, the focus in these studies is sustainability. Reflecting on their findings, therefore, is part of the abductive process, specifically the process of identifying the core category for this research. The following discussion highlights the relevant similarities and deviations from these two existing studies.

Seel (2006)

There are three areas of similarity between this research and that of Seel (2006): risk factors affecting mission, outcomes and social impact, and funding diversification for financial sustainability.

Seel (2006) identified a category of *risk* which includes subcategories of *threats to viability* and *over-commitment of human resources*. The former includes a lack of support for the core mission and a lack of appreciation by donors of the relationship between performance and accountability on the one hand, and delivering outcomes to the community on the other hand. This can result in shifting direction in response to donor demands rather than community need and before significant outcomes have been achieved in the original mission. Performance is further compromised by staff and volunteers who are too inwardly focused and lack a holistic view of how their work, its outputs and outcomes impact on the community and shape their place within it (Seel, 2006, pp. 81-84). Similar to the *risk* subcategory identified in this research, Seel has a further sub-category within his *risk* category of *over-commitment of human resources*, which encompasses the challenge of maintaining consistency as volunteers, especially board members, come, become frustrated or burned out, leave and are replaced. Then the whole cycle repeats itself (Seel, 2006, p. 80). This theme is varied slightly in this research in that the challenge is more that lack of growth in the organisation leads to lack of opportunity for staff and volunteers, in turn leading to turnover. This in turn hinders organisational growth:

The other challenge that we see is this. Unlike a corporate world we do not offer growth. There are people who are passionate about offering their services and their skills to this kind of organisation. They come and join us and they work with us and they continue to be with us. Not all skill that we require is available to us because we can't pay them enough. We can't hang on to them. We can't grow them along with the organisation. There is no growth path that we can think of. VPO

A second similarity with this research can be found in Seel's category of *credibility*, subcategory *evaluating organisation effectiveness*. In Seel's research this subcategory encompasses effectiveness, efficiency, outcomes and impact. Further, he highlights the risk of sacrificing impact in the interest of efficiency and outputs. Ultimately his respondents believe that credibility comes from impact. Barraket and Yousefpour (2013, p. 455) found, similar to Seel, that the main driver of social impact evaluation is to establish organisation legitimacy, but that

the primary benefit is in relation to learning and performance. For SMEs in particular, a further consideration is the cost and effort of doing such evaluation.

This research similarly acknowledges a broader social value creation goal, that is, *impact measurement* as a subcategory of *performance*. In this case, the challenge that participants see is how to evaluate impact. In general, the MSMSEs in this research took the view that social impact is long term and it takes years to achieve any significant social change in the communities in which they work. Assessment of outcomes is often informal. (Refer section 5.2.5 for additional relevant quotes on this point.)

We are looking for fundamentally a change in the society. That's not going to happen in a year. So we don't have a matrix, strictly speaking, to assess what we have done. VPO

Lyon and Arvidson (2011) consider social impact measurement and reporting as a range of approaches that evaluate the outcomes of activities meant to create social value for the organisation. The perspective on impact measurement in the NPO sector is that it is either a government-imposed regulatory framework to administer the organisation through performance management, or a marketing strategy for the sustainability of an entrepreneurial organisation. These views are acknowledged by participants in Seel's research. In spite of the market orientation of the Canadian NPO sector, identifying strategies to overcome barriers to the implementation of social impact and outcome measurement is still a work in progress (Flatau et al., 2015; Millar, 2011; Evans & Richmond, 2005). However, when compared to current trends, this area is also lagging behind in the South Asia region, particularly in India, Bangladesh and Sri Lanka. Unlike the NPO sectors in developed countries, MSMSEs in developing countries such as in this research are focused on the bottom-of-the-pyramid communities in the sectors of education, agriculture, health, financial services, energy, housing and the empowerment of women (Desa & Koch, 2014). Differences between social impact measurement in India and Australia were the focus of a study by Haski-Leventhal and Mehra (2016). This study identified variances in perceptions of impact and impact measurement, the purpose of impact measurement and the process of impact measurement (Haski-Leventhal & Mehra, 2016, pp. 95-97; Social Value International, 2012). There are no universally accepted social impact measurement frameworks and the field remains a work in progress.

Referring directly to the question of financial *sustainability* (category) Seel's participants highlighted *diversification of funding* (subcategory) and broadening the base of funding sources as key factors, given their small size and early phase development. Smaller organisations do not

have available to them the same range of fundraising options as larger organisations (such as large events) as there is a cost–benefit trade-off and resourcing challenge (Seel, 2006, p. 100). In addition, this investment in fundraising, by whatever means, is also weighed against the long-term prospects of the organisation – will it survive long enough to use the funds? (Seel, 2006, p. 100). For the MSMSEs in this research, diversification is also an imperative and an opportunity for better-connected SEs as well those in countries with a strong micro-finance sector:

So we don't say we will bring the money, we'll say let us gather this from local banks, you know raise money from local banks, local financial institutions. So in my opinion diversifying the financial sources is very, very important rather than we becoming the sole supplier of money for our clients. So because today it is a developer market you know, even the financial institutions are very strong and we have large options in financial institutions whether it is cooperatives, whether [0:18:16.1] world banks, commercial banks, micro-finance institutions. So large varieties and how to link our customer to one of these will make a lot of sense rather than saying that we'll do it all. CMS

CMS is encouraging its nonprofit subsidiaries to become financially viable in their own right. In different contexts, however, other constraints come into play including political and economic constraints. SL-NPO, as quoted earlier, points to not only shifting economic conditions but also politics which can place NGOs very much on the outside, even targeted at times.

The above discussion has identified three points of intersection between Seel's analysis and this research which suggest similarity but also contextual variation. First, sustaining the mission can be put at risk by lack of continuity in compatible resources – financial and human. Second, impact evaluation is essential for nonprofits working for social change as it goes towards legitimacy and performance. However, the lack of established frameworks and different perspectives (between Seel's respondents and this research's participants) on time horizons, potential scope of impact to be measured and external contributors suggests that such frameworks will be at least context specific, if not organisation specific. Finally, diversification of funding is a shared imperative in both studies, although the opportunities and constraints may vary. Seel's research is salient to this research because of the commonality in macro issues, but the solution for the participants in this research diverges due to the specific micro-institutional aspects of their context (Monroe-White & Coskun, 2017) relating to culture, government, economy, and civil society (Kerlin 2013).

Weerawardena and Mort (2006)

There are three themes that resonate from Weerawardena and Mort's (2006) study: innovation, social context and commercial orientation for financial sustainability.

For Weerawardena and Mort's respondents, *innovativeness* is a constant imperative in all aspects of their enterprise including marketing, influencing government and delivering services. This in turn depends on an up-to-date understanding of ideas and theories in each area. (Weerawardena & Mort, 2006, p. 28). In this research, a highly salient subcategory of *innovation* is found in the *business processes* category, with a similar emphasis on a cross-functional approach and developing a culture (i.e. constant focus) of innovation within the organisation:

I think we're a highly innovative company. We've taken something which is, absolutely no structure to it earlier inherently there, but put into a world-class process framework and continuously improving, building value based on understanding the current reality, and so without doubt in all aspects of functioning we're extremely innovative. I would say that we, the culture of innovation would definitely need to go in deeper. AYUR

In the *performance* category, a subcategory of *social innovation* also emerges. The context is different. In the AyurVAID case, the innovation is product and market related. In SL-NPO's case, however, the challenge is to be innovative in addressing a significant social problem – drug abuse – including the stigma attached to being associated with this issue:

But I think that what is needed is for us to become innovative in our approach. And if you have innovation, you can always meet the competition [for funds]. SL-NPO

This reinforces the connection – in the earlier discussion of Seel's (2006) work – between social impact and performance.

Social context is significant for both Weerawardena and Mort and for this research (highly salient within the *external factors* category), in particular as it impacts on the social problem in question, in terms of the values and norms that may constrain resolution. Weerawardena and Mort refer to *environmental dynamics* (Weerawardena & Mort, 2006, p. 27). This is directly comparable to the *social context* subcategory of *external factors* (category) in this research. Vidya Poshak, for example, as quoted earlier (see section 5.2.4), points to the gendered expectations of the role of girls as future mothers and homemakers rather than pursuing further study, while for SL-NPO:

And then people also doesn't want to be, sometimes, like I told you, don't want to be as much as they, they stigmatise the users, as well as then they don't want to be associated with something like what we are doing. SL-NPO

Finally, in the Australian context Weerawardena and Mort identify a close connection between a commercial orientation – even in a social value creation context – and financial sustainability. This is a point of difference with this research. For Weerawardena and Mort's respondents, risk must be managed by having funds available first and a strong commercial proposition. In terms of the social mission, they stress pragmatism in relation to the market, even to the extent of sacrificing mission to commercial realities (Weerawardena & Mort, 2006, pp. 29-30).

The participants in this research, however, have put social mission ahead of financial sustainability, as discussed previously (see section 5.2.5). A key driver of this difference in approach is in some cases the lack of an adequate government social welfare safety net and social services (e.g. hospital facilities in Kodaikanal – KHMS, improving livelihoods for farmers – CCD, drug rehabilitation in Sri Lanka – SL-NPO) in their countries, which creates a sense of urgency in meeting demand from people who are solely dependent on the local NPOs and SEs. This sense of urgency in relation to the social mission can distract from a focus on long term strategy and financial sustainability. In the pre-startup and startup phases, this altruism and social mission focus dominates almost to the exclusion of consideration of any longer term commercial or SE model. This is the story of CCD:

Coming to CCD, my association is because of Professor [0:01:49.0] who I know from my college days. ... He started off [0:02:25.1] because there is a language familiarity but basically the driver was .. the mass poverty that he saw in rural India. He had done a tour of various part of Andhra Pradesh. ... Then he zeroed in on two districts, Anantapur and [0:02:51.9] which my most metrics would count as the bottom quartile or 10 percent you may call of the state. His thesis was that if I can demonstrate a model that will work in these areas it's probably going to be effective in pretty much any part of the country. That's how he started ... The model is essentially one of mobilising the farmers into a collective. So CCD started off with a mission to help organise the farmer community into self-governing collectives...

He did it out of his own time. So he was spending his own personal money and using his personal contacts to evangelise the idea and it is not easy to knock on I don't know how many doors before he found the first person who agreed. Interestingly, the first eight or

nine years before I came on board his operating budget was barely twenty-five [0:12:13.6] right? Then the last couple of years after I came on board we did some more aggressive marketing, leveraging his contacts. And we managed to raise almost a hundred times that money, twenty-five [0:12:30.5], but over the next few years kind of a thing. CCD

In summary, Weerawardena and Mort's study, reinforces the significance of innovation – both operational and mission related – as well as the role of social context or environmental dynamics in shaping solutions to social problems. There is a difference, however, in the way in which the approach to SE is conceptualised either from a pragmatic commercial starting point or, as in the case of this research and participants, from a sense of urgency to deliver social impact on whatever scale is possible. For the purpose of this research, the important message is how to achieve a balance between managing for financial sustainability and social mission performance.

Summary

In summary, first, the findings from both this research and existing studies, as discussed above, point to the need for a strategic focus on performance in the early stages of development of MSMSEs, which eventually becomes a significant hurdle to overcome in order to achieve sustainability, as seen in the organisations represented in this research. Second, the social context also influences the organisational direction. Third, a common theme is the tension between maintaining the social mission and ensuring financial sustainability within a challenging environment.

The relevant socio-economic data for SAARC countries is a further basis for reflexivity to help identify the core category and subcategories in this research. This has been outlined in Chapter 2, section 2.8. A study by Bhattarai (2017) on economic growth and development in India and other SAARC countries points to rapid economic growth of 8%, which will enable India to catch up to the West in terms of per capita income within a generation. However, at the same time a regional report published by the South Asia Alliance for Poverty Eradication (2016) highlights the paradox that with rapid growth in many countries comes rising inequality, not only in terms of income but also rights.

This is fertile ground for nonprofits to emerge into, including SEs. As the data in this research and other studies has shown, many such organisations have formed without a long-term strategic emphasis on performance even though they recognise the importance of achieving social outcomes consistent with their mission. This point of distinction for South Asia points to the need for a variant on theory relating to developed countries which recognises the early-

stage development of many South Asian MSMSEs and the specific nature of the external (especially funding access), organisational and social contexts within which they operate.

The following section moves from the above discussion to the selective coding step and identification of the core category.

5.2.7 Selective coding – identifying the core category and related concepts

Selective coding is defined as the “process of Integrating and refining the theory” (Strauss & Corbin, 1998, p. 143). In this procedural step, a core category is identified from those categories identified in the previous axial coding step. The other categories are structured as a family of categories around the core category. Strauss and Corbin (1998) use the term *central category* synonymously with *core category* and postulate that, “Although the central category evolves from the research, it too is an abstraction. In an exaggerated sense, it consists of all the products of analysis, condensed into a few words that seem to explain what ‘this research is all about’” (Strauss & Corbin, 1998, p. 146). From the perspective of writing the theory, this research defines the core category as “the main theme, storyline, or process that subsumes and integrates all lower level categories in a grounded theory, encapsulates the data efficiently at the most abstract level, and is the category with the strongest explanatory power” (Given, 2008, p. 132). A core category integrated with other subcategories is an imperative for grounded theory generation and explanation (Birks & Mills, 2011, pp. 100-101; Hallberg, 2006; Strauss & Corbin, 1998, pp. 143-161).

There are several practical suggestions about the criteria for identification of the core category and integration with other categories (Corbin & Strauss, 2015, pp. 188-190; Scott, 2004; Strauss & Corbin, 1998, pp. 143-161). While these criteria serve as a basis for understanding the interrogation of axial coded categories in GTM in relation to the selection of a core category, this research has relied on Strauss and Corbin’s (1998, p. 147) list of criteria to identify the core category. These criteria are in summary: it must be the central category, in terms of frequency in the data and relationship to other major categories; these relationships lead to a “logical and consistent” explanation; its expression must be sufficiently abstract such that it can as a concept be adopted and adapted for more widely applicable theory; its elaboration in conjunction with other concepts leads to deeper and more robust theory; and lastly “The concept is able to explain variation as well as the main point made by the data; that is, when conditions vary, the explanation still holds.” (Strauss & Corbin, 1998, p. 147)

For a SMSE, within the context of its operating environment *performance* represents the central theme in relation to financial sustainability. The earlier discussion in this chapter has demonstrated the high salience of *performance* in the data and consistency with existing theoretical studies as well as the researcher's own subject position. The other categories or subcategories can be logically integrated into the core *performance* category to formulate a strategy for financial sustainability, as shown in Figure 5.6 below. The core category of *performance* is valid even where variances exist between organisations in relation to strategy, tactics and progress towards financial sustainability. Its abstractness, encompassing metrics, measurement, management and so on, allows for research in other substantive areas within the subcategories.

Finally, as in the entire data analysis process of this research, the selection of the core category has been underpinned by the research questions, the elements of theoretical sensitivity and the context and focus of the research.

The core category must provide answers to the overarching question of this research, that is, *how* can small to medium-sized NPOs in the context of their operating environment achieve financial sustainability? And to the sub-question, *what* are the elements of an integrated strategy for financial sustainability?

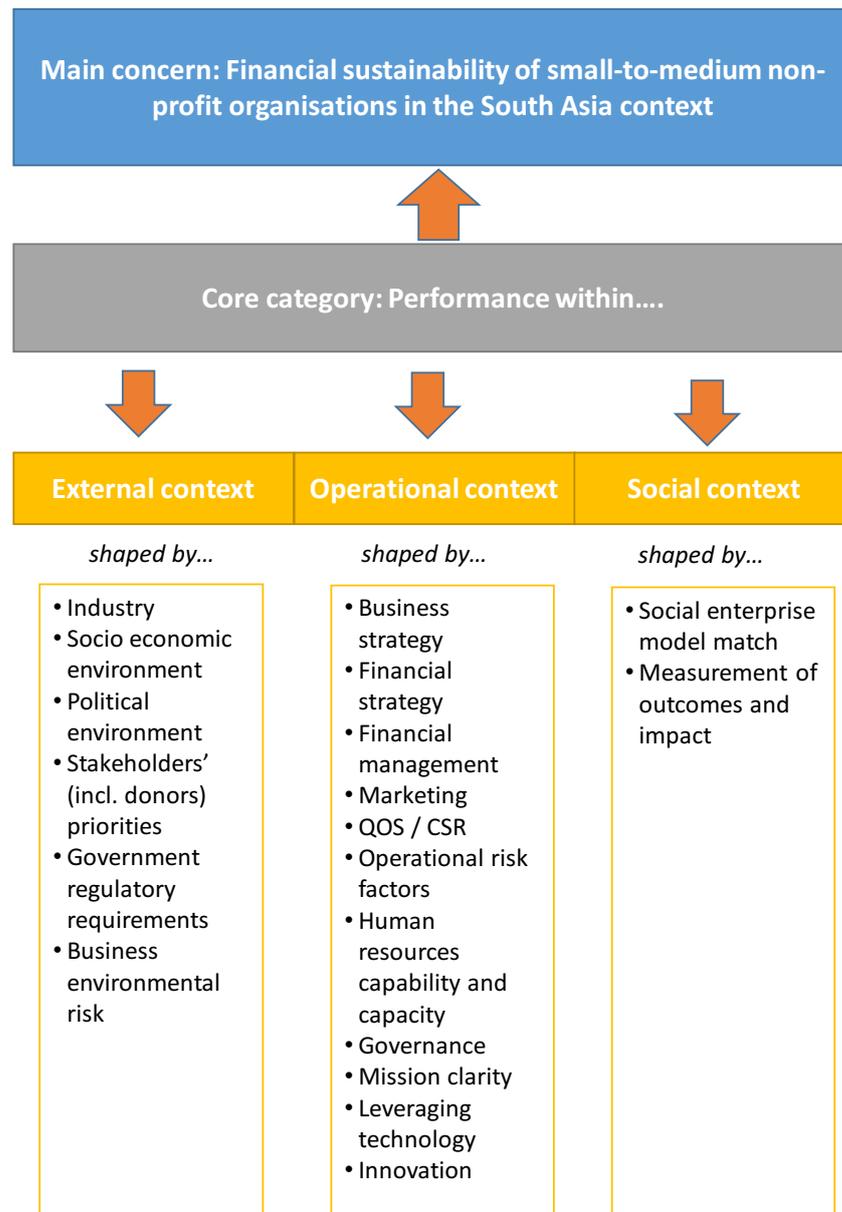


Figure 5.6 – Core category and family of subcategories

5.3 Summary

This chapter has applied the coding strategy detailed in Chapter 4 and described and presented the results of each coding step in order to demonstrate the rigour of the process and empirical grounding of the findings. Ultimately, *performance* was identified as the best fit for a core category that meets Strauss and Corbin's (1998, p. 147) list of criteria for a core category and, as will be seen in the following chapter, provides the answers to the overarching research question and sub-questions of this research. The core category of *performance* is the most pervasive and salient in the data. This is supported by the analysis of the data and ensuing codes

in terms of the number of sources, the number of references and the assessment of each category against the criteria listed above. This core category, working as a central theme and logically integrated with the other categories and subcategories, as shown in Figure 5.6 above, provides a theoretical framework for the development of a performance-based theory of financial sustainability for MSMSEs within the context of their operating environment.

This substantive theory is elaborated in the following chapter as a management action theory in five phases where each phase builds on cognition of contextual stimuli and responds accordingly within an overarching frame of performance.

6 Chapter 6 – Theory of Financial Sustainability

6.1 Introduction

This chapter details the emergent substantive grounded theory of a performance-driven approach to financial sustainability of small-to-medium NPOs engaged in SE strategies in the South Asia region. *Performance* has emerged as the core category from the analysis which has also revealed a family of subcategories related to the core category. These subcategories relate to *context*, specifically *external*, *operational* and *social* context. Within each, the analysis has identified associated context that influences and shapes further sub-subcategories. This chapter outlines the theoretical contribution made by these findings by presenting it in five parts: the concept of theory in GTM; the re-classification of MSMSE organisations according to phase of development and based on the interview data; the synergies between GTM and management and organisational research; a detailed explication of a performance based approach to financial sustainability; and finally a practitioner’s guide to operationalising the theory. As foreshadowed in the literature review, existing theory and extant literature is referenced in the theory development in this chapter, but contained within the framework of the new theory.

First, the concept of theory in GTM is discussed to clarify how the theory in this research has emerged from the concepts elaborated in the previous chapter, that is, by drawing out the relationships between concepts. This aspect of GTM has not previously been discussed in detail and is included here as a prelude to the theory itself. Second, the classification of the MSMSE participating organisations according to phase of development (Burkett 2010) is revisited and updated based on the field data. Most have been reassessed as being in an earlier phase of development than previously assumed and this in turn shapes their performance goals. Third, the status of GTM in management and organisational research is reviewed, in particular to explore the synergy between the two fields. This synergy underpins the theory developed here, which follows the grounded stimulus–organism–response (S-O-R) framework in order to construct a theory that allows for the active role of managers in responding to stimuli in the environment (Partington, 2002; 2000).

The main focus of the chapter is the grounded theory of *performance for financial sustainability*. *Performance* is the core conceptual category of the theory. It provides a performance-based

management action framework to achieve financial sustainability. This provides the answer to the ‘how’ in the overarching research question and sub-question 3, framed in a management action framework. The theory is presented in five phases: 1) management sensitivity to factors in the contextual environments (external, organisational and social) that impact on performance in relation to sustainability; 2) managerial cognition and interpretation of stimuli/inputs in the environment for effective managerial action; 3) cognitive strategy formulation for performance; 4) management actions and decision-making framework for executing the performance strategy; and 5) linking of strategy to multidimensional performance management and performance feedback loops for timely responses to change.

In line with the objective of the research, the chapter concludes with a pragmatic approach for practitioners in how to use the theory with an emphasis on building required human resource and capability and gradually developing that capability in line with the phases of the theory itself.

6.2 Theory in GTM

In terms of structure, this research adopts the standard format for grounded theory writing in management and organisational studies research, that is, the three tiers: summarising the conceptual categories framework; followed by detailing each conceptual category, supported by detailed instances from the data; and a closing summary of the conceptual framework (Locke, 2001, pp. 115-121).

As a prelude to the derivation of the grounded theory from the core categories and subcategories that have ensued from the data analysis process, it is necessary to firstly clarify the meaning of the terms *theory* and *the practice of theorising* in grounded theory. Charmaz (2006, pp. 123-149) is of the opinion that the term *theory* is elusive, and many grounded theorists discuss but do not define the term. The definition of theory depends on the paradigmatic stance (positivist, interpretive, constructivist or objectivist) of those who propose the definition. The majority of definitions are derivatives of positivism. In the case of grounded theory, both the positivist and interpretive paradigms are represented. Theory in the Glaserian version is strongly positivist. Theory in the Straussian version has some elements of positivism, but in the main it is interpretivist since it focuses on relationships between concepts. Having adopted the Straussian (Strauss & Corbin, 1998) version of GTM, this research relies on a definition of theory as “a set of well-developed concepts related through statements of relationships, which together constitute an integrated framework that can be used to explain or predict phenomena” (Strauss & Corbin, 1998, p. 15). While these concepts are principally

derived from the data, the creative thinking of the researcher is also important to the practice of theorising. The GTM of data analysis leads to the generation of either a substantive or formal theory, or both. A research study that focuses on a particular phenomenon and particular groups and places is considered substantive, as in the case of this research. Formal theory, on the other hand, emerges at a higher level of conceptualisation. Consequently, it is generalisable and applies across several substantive areas. Theory development progresses in a hierarchical movement from categories at the lowest level to substantive theory to formal theory with higher levels of abstraction and integration (Birks & Mills, 2011, pp. 156-158; Urquhart et al., 2010; Lempart, 2007, pp. 246-247).

Writing and presentation of the theory, however, follow a different hierarchy.⁴⁸ For the final stage of writing theory, Birks et al. (2009, pp. 407-410) propose the following guidelines to ensure the groundedness of the theory. These guidelines are more appropriate to this research:

- *Theory takes precedence*: core categories and their relationships must be the underpinning framework; explication of the theory is through activities and processes, and not descriptive texts about the phenomenon.
- *Theory allows for variation*: included are instances of data that varies from the main theory to enhance the depth of explanation.
- *Theory limits gaps*: the storyline strategy during writing facilitates the identification of gaps and inconsistencies in the proposed theory that need to be addressed by tracing back to previous stages in the analysis or the writing process.
- *Theory is grounded in evidence*: the concepts and relationships which may be abstracted must be grounded in the data; validation of this is a continuous process during coding, category development and theory generation.
- *Style is appropriate*: the style of writing is dictated by the purpose of the research and the target audience.

The last guideline, in relation to style, requires further elaboration for this research. Firstly, the research has a dual purpose. It is both a PhD thesis which must meet the standards of academic rigour and quality and demonstrate that the research objectives have been achieved, and also as a practical document to provide new insight for practitioners in relation to financial

⁴⁸ Another approach to writing grounded theory is to adopt the storyline strategy: "Strauss and Corbin (1990) define story as a 'descriptive narrative about the central phenomenon of the study' and storyline as the 'conceptualization of the story ... the core category' (p. 116)" (Birks et al., 2009, p. 406). The storyline strategy permeates the full grounded theory generation process, but takes different forms depending on the stage of the research. Given this thesis's orientation and purpose towards a practical solution, the storyline strategy has not been used.

sustainability. The articulation of the theory must serve both purposes but also, as importantly, it must be addressed to both target audiences.

Charmaz (2006) suggests a series of questions that the researcher must reflect on to decide on the quantum of detail to be included to satisfy the target audience: Have the major categories and subcategories been defined completely? Are the categories linked to the concepts in the theory? Are the links between categories and subcategories established at both the empirical and theoretical levels? Does the theory augment the understanding of the research topic? Analytical detail is defined as “specific labelling of a grounded theory’s core category, categories and possible subcategories, properties and dimensions, in the presentation of findings” (Birks & Mills, 2011, p. 132). Submissions to examiners of theses/dissertations require a very high level of analytical detail (Birks & Mills, 2011, p. 132), while a practitioner audience will be more interested in a practical framework. Suddaby, commenting on a study by Isabella (1990) of how managers construe organisational events as change unfolds holds it up as an outstanding exemplar of GTM methodology, as it “incorporates all of the key analytic tenets and procedures of grounded theory and, at the same time, demonstrates a high degree of theoretical sensitivity in the researcher.” (Suddaby, 2006, p. 641). The theory as expounded in this chapter is intended to meet the requirements of both its target audiences. The analytical detail spans both *Chapter 5 – Discussion and Analysis* and this chapter, which further draws on the data to illustrate the theory. While the practitioner is not expected to engage with the theory generation, the final articulation of the theory in this research is presented as a series of management actions and processes with which the practitioner can engage. Locke (2001, p. 115) further argues that even as the researcher develops the theory in their writing, “we also write to persuade our audience of its plausibility and its relevance to our understanding of management and organisations (Golden-Biddle and Locke, 1997).” (Locke, 2001, p. 115).

Locke’s (2001, pp. 115-121) discussion of the writing of grounded theory pertains to writing for academic journals. However, two key dimensions of writing practices for achieving authenticity and data-theory coupling, as discussed by Locke, are relevant to the thesis. Authenticity is achieved by demonstrating empathy with the participants’ worlds and understanding of their issues, views and perceptions in the writing. Data coupling is demonstrated by extensive linking of the fragments of data that instance theoretical concepts.

Strauss and Corbin (1998) neatly summarise the fundamental approach to writing grounded theory:

It all goes back to answering the questions ‘What was this research all about?’ and ‘What were the main issues and problems with which these informants were grappling?’ Then there should be sufficient conceptual detail and descriptive quotations to give readers a comprehensive understanding of these. Participants and those professionals familiar with the theoretical area should feel satisfied that the story has been told and understood. (Strauss & Corbin, 1998, p. 252)

The following sections therefore discuss the data analysis with reference to existing theory and extant literature, and present an overarching new theoretical framework. It is neither possible nor desirable, within the constraints of the thesis, to incorporate all data categories at all levels. As Suddaby (2006) observes, there must be sufficient “detail in the data presented to create a sense of verisimilitude for the reader but also lifts the data by weaving ongoing interpretations, experience, and prior literature” (Suddaby, 2006, p. 641). Therefore, a single, highly salient (for participants) tier 3 sub-subcategory – *stakeholder (including donor priorities)* – is used to illustrate the theory.

6.3 A grounded theory for financial sustainability

This is a substantive grounded theory for the financial sustainability of small-to-medium NPOs utilising SE business models. The emergent grounded theory is an empirically grounded coherent framework that explains how small to medium-sized NPOs in the South Asian context can achieve financial sustainability through SE business and organisational models. The theory is a response to the overarching research question and sub-questions. The theory is presented in three parts:

- First, the classification of the organisations according to their phase of development, is revisited and updated based on the research data (interviews and field observations). This is significant for the subsequent theory elaboration.
- Second, the relationship between grounded theory, and management and organisational research is discussed, in particular the challenge of making theory relevant and useful to practitioners. A model drawn from the literature is adopted as a basis for the theory presented in this chapter.
- Third, the emergent substantive theory of *performance for financial sustainability* is elaborated. Explication of the theory is based on discussion with reference to existing theory and literature, and through activities and processes, rather than descriptive texts about the phenomenon (Birks et al., 2009, pp. 407-410).

6.3.1 MSMSEs and phases of development

The organisations participating in this research were classified in Chapter 3, section 3.5, according to their stage of development using Burkett’s framework of the life cycle phases of SE (2010, p. 13). This initial classification was based on the early survey data and other preliminary data. Based on the data then collected through interviews and observation, several of these original classifications have been modified, as shown in Table 6.1 below. Red shading indicates an earlier stage, while green shading indicates a later stage than baseline. The micro and small organisations involved in this research (SL-NPO, Potters Shed, PROWESS, PHCC and A Hundred Hands) are in the start-up phase, transitioning to the development phase with no plans for growth. The small-to-medium organisations (PROKRITEE, Vidya Poshak, KHMS, CCD, CMS and AyurVAID) can be considered to be in the development phase, planning for growth.

Table 6.1 – Life cycle phase of development reclassification

Organisation	Baseline classification	Revised classification
SL-NPO	Growth	Start-up
PROKRITEE	Growth	Development
Potters Shed	Development	Start-up
PHCC	Pre-startup	Start-up
A Hundred Hands	Development	Start-up
Vidya Poshak	Growth	Development
AyurVAID	Growth	Development
CMS	Maturity	Development
KHMS	Development	Development
PROWESS	Development	Start-up
CCD	Development	Development

The sampled organisations have all been in operation for a minimum of three years. All found that access to start-up finance was an obstacle to moving from concept to start-up. While organisations such as the Ashoka Foundation, Skoll Foundation and Acumen provide funds for seed capital and training, the competition for these funds and the lack of regulatory support systems in the South Asian context have deterred many organisations, such as those in this study, from accessing these. While funds may be more accessible after an organisation has been

operational for a few years and established a proven performance record, garnering seed capital for the start-up of such organisations has been problematic (Gaurang & Jain, 2014).

The start-up phase of the organisations in this study was financed from the personal finances of the socially motivated founder(s) and associated networks, foundations or government. All the participants have graduate/postgraduate educational qualifications, in areas including business, education, accountancy, ICT, genetics, law, engineering and marketing. All had professional careers before becoming fulltime executives in the nonprofit sector. The prime motivation for their move to the social service sector was a desire to help those communities at the bottom of the income and opportunity pyramid, in their local communities. For example:

AYUR:

I said that I'm cruising along doing very well in my career and I know my future positions, but I need to find this alignment between personal goals and the official part. .. I reached out to an NGO and then worked in [0:05:30.5] trying to understand how a small-scale industry could be placed in that [0:05:36.8] block in a manner that could be chosen in a manner that one year down the line one could transfer control to the local people. AYUR

VPO:

I completed my studies here and then went down to work in the IT industry for almost twenty-three years. .. I somehow wanted to give back some of what I had got in terms of the skills to the society from which I came. VPO

and HH:

I come from a branding background personally, and I felt it was my way of giving back to people who really needed a sense of advice when it came to branding. There's just two of us who run A Hundred Hands. There is myself, I'm an MBA and specialising in branding. And my sister is a PhD in genetics, which is completely different from the art and craft world. HH

The entrepreneurial orientation of these participants is clear however this has been developed in the for-profit context and their appreciation of the challenges in the nonprofit sector has moderated their development towards an SE model. In particular they have lacked strategies to move through the phases towards an end goal of long-term sustainability.

Notwithstanding this wealth of experience, the contextual challenges in the South Asia region have also constrained their progress to sustainability. SL-NPO, for example, is a start-up with support from multiple funding sources including government, but is unsure about continuity of funding:

Yes, we have, because actually what happened is, like you mentioned, we started off, because the organisation was started by the [local community club] and also it was supported by the President's Fund. SL-NPO

PROWESS is also a start-up that has been able to reimburse donors for loans advanced in the early stages, but is very stable in terms of product, scale and beneficiaries:

We provided the seed finding, and within three years, through the industry of these ladies and our help in promoting the products, they were able to reimburse us of the fund that we had advanced PROWESS. PROW

CCD is in the development phase. It was founded by a professor at one of the leading management institutes in India, who is the driving force behind the organisation. Leveraging his network in the corporate sector and other sources, he was able to access finance for the start-up and development phase. However, the sustainability of the organisation is very much dependent on grants tied to specific time-based projects:

Professor [0:11:45.3] was in a unique position. He was a [0:11:47.3] professor at IIM and he did it out of his own time. So he was spending his own personal money and using his personal contacts to evangelise the idea and it is not easy to knock on I don't know how many doors before he found the first person who agreed. Interestingly, the first eight or nine years before I came on board, his operating budget was barely twenty-five [0:12:13.6], right? Then the last couple of years after I came on board we did some more aggressive marketing, leveraging his contacts. And we managed to raise almost a hundred times that money, twenty-five [0:12:30.5], but over the next few years, kind of a thing. So we had [0:12:38.5] CEO, Chairman of Emphasis gave money. Access Bank Foundation, Ford Foundation, a lot of people who ... yeah, so we came on board to say that they are building a team and we have a large project. And we were able to raise money, but all this is grant money for specific projects ... No, they were all time-based grants. Some were two years. Some were three years. Some were four years. After that you had to go back and apply again for a revolving kind of grant, but there was no guarantee that they would give you that money. CCD

CMS is a professional consultancy services group in the social development sector and is in the development phase. Since inception as a consultancy services group two decades ago by three founder development professionals, the organisation has grown and in the last decade established two NPOs: an SE and a foundation in the process of being established to consolidate group operations. The successful longevity of the parent consultancy arm has enabled the group to build and access a network of donor agencies, corporate organisations and foundations, government and development agencies, whose financial resources have enabled the group to incubate the nonprofit and SE ventures. However, progress along the life cycle trajectory to maturity and financial sustainability is reliant on grants from its network financing partners whose priorities do not always fully align with those of the organisation. The group is heavily involved – and has been so for fifteen years – in working on the HIV issue with 200,000 sex workers across five Indian states, funded by the Bill and Melinda Gates Foundation.

The founder and CEO of AyurVAID was convinced that the purpose of creating a low-cost healthcare delivery system based on traditional systems was worthwhile enough to override his concerns about his lack of domain knowledge and that it would be a pioneering venture. He self-financed the start-up phase of the organisation. Based on the success of the start-up phase, the Acumen Fund invested Rs 4.5 crore⁴⁹ in AyurVAID hospitals in June 2008 and provided additional funding in 2010. This enterprise is in the development phase.

So one does not know where it is going to lead and, because of lack of domain knowledge, I don't know any people to recruit into the sector, I don't know what works, doesn't work. Only thing that you know is that the purpose is worth it. So you know, but just with that you can't set up a business, but anyway, setting it up with my money, telling that I can make, set up it too, very micro, you know, small is beautiful, hospitals and then see how it works. And then if it doesn't work, I will go forward. But for somebody else it is a point, a thing which is, that was a distractor. AYUR

PROKRITEE is also in the development phase, having succeeded in establishing three years' seed funding:

So they found [0:03:39.6] at that time, Mister [0:03:42.0] was invited to take over MCC's business, and then at that time, you need to know one thing that there are in our country, a famine was going on, many people were dying [0:03:57.6] on the street. So Mister [0:03:59.7] was not very much willing to take it over because the country, which is running

⁴⁹ About US\$650,000.00 (1 crore is ten million).

on famine, at the same time who is going to buy the craft that as a big cushion? So then MCC decided to support him by giving staff and finance for the following three years to run that shop. PROK

Vidya Poshak is in the development phase, with a focus on building organisational infrastructure and a more focused mission:

These kind-hearted people got together and put some money from their own pocket and started supporting as many students as they could in 2001. But then they realised that they could do this more structurally and more systematically, because of which they formed this organisation called Vidya Poshak, which actually translates to ‘sustaining education’. Vidya is ‘education’, Poshak is ‘sustenance’. VPO

CCD’s views on the sustainability of MSMSEs similar to that organisation draws attention to the link between the strength of an organisation’s performance in terms of establishing an operating model for scalability as a critical driver of long-term sustainability – in addition to the compelling nature of its social mission – and its progress through the life cycle phases towards sustainability. The interviewee reflects on the initial focus and empathy for its social mission to the exclusion of developing a model for scaling up in order to be sustainable:

Sure, so I will give a general comment now, not as trustee of CCD but as a student of social [0:20:42.7], that I spent the last four years exploring the world, meeting hundreds of entrepreneurs. Most so-called not-for-profit organisations and NGOs do not have it in their DNA to think of sustainability and scalability. They start off with primarily an empathy and an understanding of a problem, and they are all limited to address it. It would be very difficult for most of these organisations to scale up because they do not have a [0:21:24.8] model. Unfortunately most of them do not have a corpus. So when you’re in a hand-to-mouth situation, you will not be able to scale and sustain for long. CCD

A further trap is overreliance on a single individual:

So in the case of CCD they may be slightly better off because of Professor [0:21:42.2] contacts and reputation. But I have seen organisations which become much bigger but will have a challenge once the promoter is not there. So very few organisations have sustained beyond the life of the promoter to build a sustainable institute. If they have, their scale is limited. CCD

This interviewee's solution is to diversify funding sources so that he has sufficient start-up and growth capital, together with an SE model:

So money will be a challenge until you come up with a model, which is why when I said I impart my ideas of social enterprise, because I think ideally someone like me will be comfortable when there is a combination of all the three. I need to have a corpus. I need to have a revenue model. I need to have a grant as one of the sources of finance. Then I think one can build a sustainable and scalable organisation. In the absence of that, you know, your ability to make an impact is limited by the money you raise and the people you hire. CCD

The initial classification of the sample organisations was based on proxy indicators for sustainability, that is, resource levels – financial and human – relative to mission and operational scope, together with preliminary information on their business and operating models. Analysis of rich interview data has provided further insight into the source of resources and the effectiveness and maturity of the SE aspects of their model. The above discussion demonstrates that participants' altruistic motivation rather than a strategic approach to development of an SE model has so far sustained the mission. This has two significant consequences salient to theory development. First, the level of resources and sources are inadequate to sustain the mission long term and allow them to progress through the SE life cycle phases. Second, the SE model itself lacks maturity in terms of strategy, planning, value proposition and performance. Eight of the eleven organisations have been downgraded in the classification, one of these (SL-NPO) dropping two phases.

The significance of the results of the reclassification is that the theory that is developed must cater to the full spectrum of MSMSEs at any phase of the SE life cycle so as to enable them to progress to the next phase. In addition, when taken together with the emergence of performance as the core category, it reinforces the link between performance and long term sustainability. This link can now be theorised in the form of a cognitive management action framework.

The theory developed in the following sections conceptualises the steps that these organisations need to take to develop organisational strategies for financial sustainability and to transition from the current life cycle phase through to maturity. This theory, however, needs to be readily translated into practical management actions if it is to satisfy the practitioner audience of MSMSEs in the nonprofit sector as exemplified by the participants in this research. The question

of financial sustainability is an organisational and management issue. *Chapter 4 – Research Methodology* included discussion of the methodological aspects of using grounded theory in management research. Chapter 5 dealt with the application of the GTM methodology to identify the core thematic category – *performance* – and its subcategories. Prior to theory generation from this analysis, it is appropriate to explore grounded theory in management and organisational research in the context of theory generation. The following section explores this relationship. This is followed by a detailed elaboration of the theory.

6.3.2 Grounded theory in management and organisational research

While GTM has increasing acceptance in organisation and management research⁵⁰ (Corley, 2015), the nature of knowledge produced and the articulation of theory that is accessible to and recognises the active role of managers have been identified as important considerations in this field. This section discusses these requirements and the way in which they have been met in the theory that is presented here.

The lack of relevance of management research to most practitioners has been, and continues to be, a topic of debate and discussion in management and academic journals (Starkey & Madan, 2001; Partington, 2000; 1998). These authors postulate that, due to this disconnect, organisational theories do not have any practical value for stakeholders in business and government (Hindle et al., 2004). Competition and consumer demand make it imperative that business strategies are based on well-researched knowledge as a platform for informed decisions and action. The two management and organisational research paradigms featured in these debates are: “‘mode-1’ knowledge, generated in a context of established institutions and disciplines, and ... ‘mode-2’ knowledge, generated in a context of application” (Partington, 2000, p. 91). Mode-2 research bridges the gap between the supply side of knowledge, such as that of universities, and the demand side of knowledge, such as that of businesses.

Partington notes the rise of the S-O-R perspective in management research, which “emphasizes the active mediating role of the manager between environmental stimulus and behavioural response” (Partington, 2000, p. 92). Jones et al.’s (2003) research on ‘Conceptualising business knowledge in SMEs’, which explored patterns of sense-making across SMEs, argues the case for the adoption of the mode-2 approach. It is argued that, in this mode, knowledge production is a result of “interaction between theory and practice” (Jones et al., 2003, p. 13) and is more about problem-solving. Jones et al. (2003) further cite the key differences between small and medium-

⁵⁰ As evidenced by an increasing number of scholarly journal articles and research publications. See Corley, 2015; Locke, 2015, 2011, 2001; Kenealy, 2008.

sized enterprises that are distinct from larger enterprises with formal operational structures. In addition to a lack of formal structure and a tendency to focus on survival rather than growth, other distinguishing features of smaller enterprises include “dominant role of owner-managers, absence of internal labour markets, greater environmental uncertainty, limited customer base, short time horizons and greater potential for innovation (Wynarczyk et al., 1993)” (Jones et al., 2003, p. 8). These differences drive the approach to knowledge management in SMEs, which is in contrast to those approaches in better resourced organisations. These characteristics are also, to varying degrees, observed in the MSMSEs in the nonprofit sector in this study, when compared to their larger counterparts in the region.

Partington (2000) further states that two features of GTM in particular meet the requirements of mode-2 management research. First, both mode-2 research and GTM are transdisciplinary and are not bound by contemporary, highly theoretical frameworks. Second, both emphasise the tacit knowledge of the principal actors in the organisation (Locke, 2015; Partington, 2002; 2000; 1998). Further, the complexity of Strauss and Corbin’s symbolic, interactionist view of the role of causality in theory⁵¹ is examined in the context of the requirements of the S-O-R paradigm. Based on this, Partington (2000) argues the case for a grounded theory with an S-O-R perspective and proposes the following:

1. a revised approach to building grounded theory beginning with interviews, applying S-O-R to develop normative causal models
2. a simplified paradigm model based on environmental stimulus, leading to cognition and resulting management action
3. a narrowed conditional matrix comprised of the “(1) External organisational context; (2) Internal organisational context; (3) Individual and collective managerial cognition; (4) Action” (Partington, 2000, p. 97).

In addition, Locke (2011) suggests that substantive theories generated using GTM produce context-based organisational action.

Benecke et al.’s (2007) study of organisational synergy and Burden and Roodt’s (2009) study of organisational redesign both model the generated theory “by aligning the conditional/consequential matrix (Strauss & Corbin, 1998, pp. 181-199) with the S-O-R theory (Partington, 2000)” (Benecke et al., 2007, p. 16) in order to explicate the findings as theories of

⁵¹ Specifically: “‘coding paradigm’ of conditions, context, strategies (action/interaction), and consequences, subcategories are related to a category” (Corbin & Strauss, 1990, p. 13); eight levels/circles of the conditional matrix (Strauss & Corbin, 1998, pp. 181-199; Goulding, 2002, pp. 87-88); and theory building and writing of GTM.

management action. They postulate that the structured framework resulting from this alignment could be applied by researchers using GTM in organisational studies.

In this research, the structure of the research questions, which begin with ‘how’, ‘what’ and ‘why’, assumes action and process oriented answers to the central question of financial sustainability in the context of MSMSEs in the nonprofit sector. Based on the above discussion, the outcome of this research is presented as grounded theory underpinned by the synergy between GTM and the mode-2/S-O-R perspective of management and organisational research. The following section elaborates the theory.

6.3.3 A substantive grounded theory of performance for financial sustainability

The substantive grounded theory of *performance for financial sustainability* generated by this research is presented in an adaptation of the simplified paradigm model of environmental stimulus → cognition → action. The generated theory is a logical framework that describes and explains the main concern of the research, namely the financial sustainability of MSMSE organisations, and provides the answer to the overarching research question. The theory developed in this research follows the grounded S-O-R framework (Partington, 2002; 2000). It is a management action theory.

The following elaboration of a theory of financial sustainability ties the data to existing theory and literature within an overarching new theoretical framework. The GTM analysis of the primary sources of data has identified three tiers of related conceptual categories:

- tier 1: the core conceptual category *performance*
- tier 2: the subcategories, which are the contextual environments – external context, social context and operational/internal organisational context; these three subcategories have a direct influence on and shape the tier 1 core category of *performance*
- tier 3: these sub-subcategories have been identified as critical factors within each of the tier 2 subcategories that define the three environmental contexts

These three tiers of conceptual categories are integrated into a substantive theory of management action to achieve financial sustainability based on the core conceptual category *performance*. The way in which performance is construed by participants is discussed at length later in the chapter in relation to Phase 4 of the framework illustrated in Figure 6.1, p. 166. The literature emphasises the multi-dimensionality and context specific understanding and definition of the concept. Folan et al. (2007) note that performance as a concept has been used

imprecisely in business research and referred to variously as being tied to management and/or assessment and/or measurement. By studying the interpretations and models of the concept of *performance* in performance management and business literature, Folan et al. (2007) propose an encapsulation model of performance for business research in which it is suggested that the initial focus should be on simply defining *what comprises performance for the organisation* and then working out the appropriate processes to achieve it (Folan et al., 2007, p. 619).

The demand by external stakeholders of nonprofits and SEs for demonstration of the effectiveness and accountability of the organisation in achieving not only stakeholder objectives but the organisation's objectives and mission has absorbed practitioners and scholars. As a result, there is an extensive and growing body of scholarly literature on the organisational performance of the nonprofit sector. In this body of literature, the term *performance* is used variously to mean social impact measurement, accountability measures, outcome measurement and effectiveness evaluation (Morrison, 2016; Ebrahim, 2010; Moxham, 2010; Nicholls, 2009b; Bell-Rose, 2004, pp. 269-280; Cutt & Murray, 2000, pp. 1-28).

Despite these variances in the interpretations of nonprofit performance, a recurrent and common theme in the literature is that *contextual factors are integral in designing a nonprofit performance framework* (Morrison, 2016; Ebrahim & Rangan, 2010; Moxham & Boaden, 2007). Ebrahim (2005) examines the normative approach to the accountability of small and medium resource-dependent NPOs where accountability to donors is a high priority in terms of reporting. In this analysis, it is argued that the approach to accountability is short-term and myopic in the way that accountability is viewed: "(a) accountability as a set of unconnected binary relationships rather than as a system of relations and (b) accountability as short-term and rule-following behaviour rather than as a means to longer-term social change" (Ebrahim, 2005, p. 56). Ebrahim proposes that including organisational learning will broaden the view of accountability.

In the theory described below, *performance* is multi-dimensional and relies on the sub-core contextual categories, which provide stimulus and inputs for the formulation of managerial action which in turn indicates the performance metrics that are appropriate for that organisation.

Figure 6.1 below is a representation of the integration of the core conceptual category of *performance* and the subcategories that have emerged from the data analysis in a theory of management action. It illustrates the causal relationships between categories and the

processual elements. The substantive theory is in five phases. In writing the five phases of the substantive management action theory, the researcher has adapted Suddaby’s (2006) suggestion as a guideline that there must be sufficient “detail in the data presented to create a sense of verisimilitude for the reader but [it] also lifts the data by weaving ongoing interpretations, experience, and prior literature” (Suddaby, 2006, p. 641). It is not possible to incorporate all data categories at all levels. Therefore, a single, highly salient (for participants) tier 3 sub-subcategory – *stakeholder (including donor priorities)* – is used to illustrate the theory.

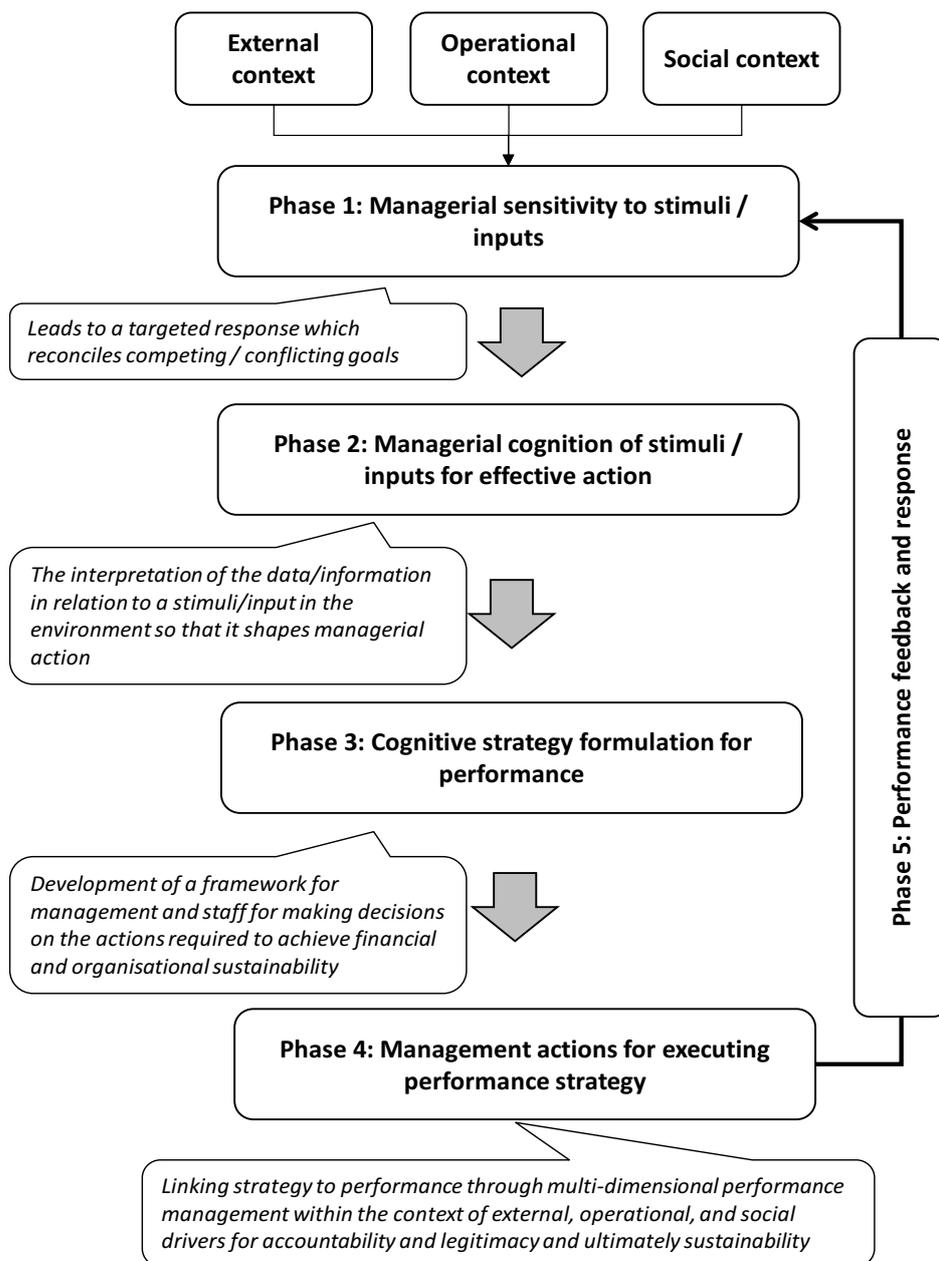


Figure 6.1 – Theory of performance for financial sustainability

Phase 1: managerial sensitivity or identification of the stimuli/inputs within the three contextual environments that shape the performance of the organisation

Stimulus factors or inputs come from within the external, social and operational contextual environments as per the tier 3 conceptual sub-subcategories that impact on financial sustainability (refer Chapter 5, section 5.2.7). The motivating stimulus⁵² for action is inherent in the key characteristics of the environment in which an organisation operates, the effects of which, if attended to, will lead to a targeted response (Santos-Alvarez et al., 2012, p. 2). Failure to do so will result in the continued dormancy of the organisation (Partington, 2002, p. 141). The concern articulated by the research participants when discussing topics related to these tier 3 conceptual sub-subcategories, in addition to being characteristic of the environments, is also evidence of their impact on the financial sustainability of the organisation. As such, they act as stimuli or inputs for management action and need to be factored into the strategy formulation process (phase 3) to achieve financial sustainability.

An exemplar of one such stimulus/input is the tier 3 conceptual sub-subcategory *stakeholders (including donor priorities)*. Participants' articulation of the impact of donor stakeholder priorities on the organisation's mission, goals and performance emphasises that stakeholder priorities are a critical input in formulating an organisational performance strategy for financial sustainability. The significance relates to that category of donors or social entrepreneurs which provides financial resources on the premise that the recipient organisation acquiesces to the donors' agenda and objectives, which may conflict with the organisation's mission and identity. This category of donors is characterised as those "who focus on the symbolic management of social values to achieve their political and/or economic objectives and entrepreneurs who destroy (proactively or inadvertently) social goods through the pursuit of profitability or other objectives" (Dacin et al., 2011, p. 1206). This is particularly so with the MSMSE organisations sampled in this research, which do not have the wherewithal to compete for funds and, as such, may have no alternative but to accept the donor conditions for reasons of financial sustainability or perhaps to negotiate compromises.

For example, CMS notes that this misalignment between donor demands and the nonprofit's mission and goals could pose an identity risk and may need compromises or "some realignment" to ensure donor funding:

⁵² "For symbolic interactionists 'a stimulus to act is depicted as undergoing a process of interpretation before a response (an act) is forthcoming' (Bryman, 1998, p. 54). In this important interpretivist respect it aligns with the broad aims of the S-O-R theories" (Partington, 2000, p. 96).

All the nonprofits have their own ambitions, their own mission and own goals, but many times they are drawn by what the funders want. So the donors sometimes dictate what should be on the agenda, so that in my opinion is a risk because sometimes not fully aligned, and you know there is some alignment because otherwise you don't take funding from them or they don't fund us, but that alignment many times may not be a hundred per cent. CMS

PHCC is also confronted with the issue of paucity of funds for the organisation's social mission projects. Compounding this situation is a lack of enthusiasm among those potential donors for the core mission of the organisation:

The lack of conservation awareness we've had a great problem, because people are not prepared to give money for conservation. They're prepared to give money for anything else as long as their name is associated with it ... and conservation has been at the bottom of the list, which is very sad and it's very difficult for us to get funding. We continue, we are doing alright, but we would really like more. PHCC

A Hundred Hands and CCD, who both plan to grow their organisations, are aspiring to move away from the donor model and ensure long-term financial sustainability through corporate sponsorships. However, corporate sponsorships are conditional on the organisation having a base-level financial corpus and scale:

So, which of course boils down back to funds. The route that we took on corporate sponsorships, they are looking at scale. The more we scale up, the more funds we're able to get. So it's a bit of a chicken-and-egg situation. We are looking now seriously and single-mindedly at building our corpus ... And we were selected by the IM Bangalore as a case study of a nonprofit following a different route rather than the donator model. HH

And we were able to raise money, but all this is grant money for specific projects in a [0:12:56.3] manner. No, they were all time-based grants. Some were two years. Some were three years. Some were four years. After that you had to go back and apply again for a ... revolving kind of grant, but there was no guarantee that they would give you that money. CCD

The above views expressed by participants are in consonance with the literature on the impact of external stakeholders on the performance and financial sustainability of MSMSEs. The dilemma of how to measure the performance and success of nonprofit SEs with dual social and

commercial functions continues to be a much-researched topic in SE literature, in particular how they respond to the challenge presented by the tension inherent in this duality (Smith et al., 2013, p. 408). This challenge is compounded by dependence on external funding sources to augment the financial capital in order to sustain the social projects. Luke et al. (2013) comment on the need for SEs to explore appropriate forms of performance measurement to meet demands of external stakeholders for “transparency, comparability and legitimacy” and those of internal stakeholders for “feedback, direction, and information on future resource allocation decisions” (Luke et al., 2013, p. 235).

While recognising the tensions between the competing demands of stakeholders, including donors on the one hand and SE mission, performance and goals on the other, the challenge for management in SEs is to develop a *performance strategy* across these contradictory goals (Smith et al., 2013). Management knowledge of these tensions is part of the next phase, management cognition.

Phase 2: managerial cognition of the stimuli/inputs for effective managerial action

In general, cognition is defined as the act of knowing or the mental process of acquiring knowledge and processing information (Uotila, 2015; Lant, 2002). Managerial cognition in organisational literature is “how managers in organisations interpret both external and internal organisational environments” (Uotila, 2015, p. 221). To interpret the environment, managers assume the role of information workers in which they absorb, process and disseminate information about the issues and challenges of the organisation. Kaplan (2011), in an analysis of empirical and theoretical research on cognition and strategy, cites Porac et al. (1989), who “took as an assumption a set of processes that connect managers’ identification of cognitive strategic groups to strategic outcomes in which ‘individuals attend to cues in the environment, interpret the meaning of such cues, and then externalize these interpretations via concrete activities’ (p. 398)” (Kaplan, 2011, p. 682).

Managerial cognition studies have adopted different terms in studying the concept of managerial cognition (Kaplan, 2011; Ritchie et al., 2007; Walsh, 1995) . Managerial cognition in this phase of the theory is the interpretation of the data/information in relation to a stimulus/input in the environment so that it shapes subsequent phases of the managerial action theory. Wrona et al. (2013) explain this relationship as follows:

This management focus is about managerial and organisational cognition (MOC) that has become one of the most important approaches on strategy content and process

research (cf. Hutzschenreuter and Kleindienst, 2006 and Narayanan et al., 2011). The most fundamental assumption of this approach is that strategies and strategic processes are essentially both object and outcome of managerial cognition. (Wrona et al., 2013, p. 697)

The specific topic of managerial cognition was not explored in the participant interviews. However, the need for managerial cognition of stimuli/inputs in developing business strategies is implied in comments by the participants. The CMS interviewee, for example, emphasised that his organisation focuses on building and sustaining excellent stakeholder relationships with both donors and social beneficiaries, which pre-empts any external threat to the sustainability of the organisation. However, the relationship is predicated on managerial cognition of stakeholder priorities and formulating strategies based on these to achieve stakeholder satisfaction and sustainability:

See, the most important thing in my organisation is that, how well your relationship with your customer is. Because ultimately it is your clients who are protected, not the law, not the government. So are you delivering what your clients want? Are you delivering for them? Are you delivering at a fair price? You know, do you have ethics in your business? In my opinion these things are very, very valuable. Now whatever may be external threats, but if you continue to have excellent relationship with your clients and that is what we do in our organisation. CMS

Managerial cognition of external stakeholder perceptions is crucial in formulating strategies not only to deliver on stakeholder expectations, but also to ensure stakeholders deliver on what is expected of them. Strategies for managing stakeholders while responding to demand must also influence and guide stakeholder expectations and evaluations (Courtney, 2013, pp. 228-229; Balser & McClusky, 2005). The source of organisational identity “is not the organisation itself but what stakeholders and audiences attribute to the organisation” (Galaskiewicz & Barringer, 2012, p. 50). These attributes may not truly reflect the operational context of the organisation and so skew stakeholder expectations. Managerial cognition of such stimuli leads to effective stakeholder management and ultimately sustainability.

The same interviewee articulates a scenario when interacting with donors from the developed world:

I think C. K. Prahalad has documented it very well in that book. When you come to South Asian countries then you have to think of very small, you know ... So our entrepreneurs

have to think of very small things, maybe micro so the unitisation is very, very, micro, you know, and so I think there is three [1:04:21.9]. And how to do it when there are no roads or there is no transport, how to build on that [1:04:31.8] challenges and all. So I think our people are really evolving on that so we have actually to contribute back to them rather than they contribute to us. CMS

Theoretical and empirical research has established that managerial cognition is a prerequisite step for management theory based on an analysis of financial sustainability and external environmental factors (Kaplan, 2011). Further, managerial cognition is a critical element in formulating goals and strategy based on an analysis of the environment, evaluation of performance, strategy implementation and maintaining strategic control (Wrona et al., 2013; Kaplan, 2011; Narayanan et al., 2011 ; Walsh, 1995). The knowledge acquired through managerial cognition of all the stimuli/inputs in the three contextual environments defines the information framework for the next phase of the theory, cognitive strategy formulation.

Phase 3: cognitive strategy formulation for performance

This phase of cognitive strategy formulation is the development of a framework for management and staff for making decisions about the actions required to achieve financial and organisational sustainability. The managerial cognition of the environmental stimuli in phase 2 underpins this strategy formulation process; “Strategic management is the process of making and implementing strategic decisions ... [it] is about the process of strategic change’ (Bowman and Asch, 1987, p. 4)” (as cited in Asch & Bowman, 1989, p. xiii). It incorporates the needs and expectations of stakeholders, the dynamics of the external contextual environments, organisational environment factors and capabilities, and the key players who will lead the action phase (Courtney, 2013, p. 169). This is summed up neatly by Feurer and Chaharbaghi (1998, p. 38): “In today’s highly dynamic business environments, however, organisations must constantly adapt to the fast-changing circumstances. Strategy formulation should become a cognitive process as opposed to a process of conception”.

Similarly, Narayanan et al.’s (2011, p. 307) study of the literature on the cognitive perspective in strategy formulation finds that the term *strategic cognition* encapsulates the “cognitive perspective in strategic management”. Strategic management concentrates on the relationship between cognitive structures and decision processes in formulating and implementing strategy. Cognitive structures are managerial interpretations of “environment, strategy, business portfolio, and state of the organisation” (Narayanan et al., 2011 , p. 307). Courtney, (2013, p. 8)

uses the term *strategic management* (in lieu of strategic planning) to signify “the whole process of innovation, strategic analysis, formulation, and implementation” and learning. Further, the term “emphasizes the continuous nature of the process and makes it much more likely that any strategies which are decided will actually be implemented” (Courtney, 2013, p. 37).

Courtney (2013, pp. 32-38) explores the concept of strategy and its multiple definitions for greater clarity in defining the criteria for effective strategies in the nonprofit sector, and notes that the distinction between what is strategic and what is operational is not apparent. However, the criteria for strategic content are:

- it spans the medium to long term (3–10 years)
- it encompasses the whole organisation
- it incorporates the purpose, direction and scope of the organisation
- it locates the organisation in relation to external environments and other organisations
- it includes resource allocation; and
- it includes fundamental decisions on what goods and services it provides and to whom.

Participant comments regarding their organisation’s strategy formulation process suggest that, in SMEs, the strategic direction is set by the board of directors, which includes the founders, with the executive management team having responsibility for strategy formulation, implementation and reporting. This is true of both start-up phase and development phase organisations (refer Table 6.1, p. 156):

That’s right. What happens is, we are a relatively small organisation. We have about eight people, eminent citizens of the society, who are in our advisory group. So they advise about the strategic direction, but the strategic direction has to be defined by the management group, the four or five of us who are in the senior levels of the organisation. These are ... we are the ones who sit down, thrash out what we want to do and how we want to do and present that to the board and advisory committee. VPO

From projects we went on to, because we have a board of management and most of the board members represent the corporate sector from different fields, so they’re giving their input to whatever that we’re doing. SL-NPO

Well, we have a good structure of management, like I am [overtalking] at the top ... the board sits every quarter and then gives us our policy directions and all we need to report to them from time to time. But under me there is a body called PROKRITEE Management

Team; we have a director, marketing director of production and director administration, and we have a director of finance, so that all these directors come by [overtalking] PROKRITEE Management Team. PROK

However, it is not apparent that the formulated strategies are an outcome of a strategic management process and include all the features of strategic content, as suggested by Courtney (2013, p. 37):

I would say that we have a lot of brainstorming sessions amongst the team and I think those brain– it's not that the brainstorming is always with a purpose, say, 'Let's look at what innovation we can do'. It's often innovation just springing from either trying to resolve the problem or evaluating growth strategies. 'Should we do this or that?' In doing this [0:53:53.2] totally new area to get into. So it's more internally, in discussion. AYUR

In the case of the sampled micro SEs and SHGs, the approach is *tactical* rather than *strategic* and focused on day-to-day operations, cash flows and social outcomes. The principal strategy is to maintain the current operating model, with no plans for growth or expansion. This may not be sustainable when the external contextual factors change:

So, we cannot talk about, we are not a conventional industry or conventional production unit ... In December, January, we look at the figures to see how much has the raw material costs gone up. We have to adjust all of that on the inventory, because we are basing our sales on a particular figure, and if that has changed, how much, and then we also discuss how much of a cost-of-living increase are they going to get? ... Yeah, it's rather informal, but ultimately it comes to that. Once we have, as ... says, at the beginning of the year, once we evaluate what are the different costs going into the production, that will tell us how much more we are going to have to charge, or they are going to have to charge to make it feasible for them and it will fall from that. PROW

Sontag-Padilla et al. (2012) identify some of the unique challenges for nonprofits working with low-income groups, which are typical of the sampled organisations in this research. In these NPOs, financial, human and time resource constraints inhibit a strategic management approach to strategy formulation. SL-NPO, for example, struggles with a voluntary, part-time board that focuses only on the social mission and much less on how to fund it. Management takes its lead from the board, which compounds the issue:

Yes. And also because they [the Board] are voluntary ... So then what happens is that their time is limited and then, but they don't see it that way because when people do come in, they're coming to work for a cause, and they don't see the money angle that much ... But I think that if we are to move to a social enterprise, not only the Board, the Chief Executive, as well as the people working within the organisation, has to start thinking that. SL-NPO

The example given by SL-NPO also highlights the confusion among some actors between social mission as a community service on the one hand, and charging a fee for service in an SE model:

I had a program where I was teaching, like we were doing that free of charge because we had funding for it, of teaching information technology to certain identified groups. But then whilst doing that, we were also wanting to make those centres to be profitable centres in the sense for income generation. But then when they came to that, it was very difficult even to market the centres as a business organisation, became difficult even for the community. And even the board doesn't understand because then they would say, 'Look, what are you trying to do? Perhaps what you should do is not trying to make money but what you should try to do is to give a service.' But then how do you give a service if you don't have the money? SL-NPO

These constraints may inhibit not only strategic focus but also innovation:

So in this sector my experience has been having spent twenty-five years in the corporate side, where it's taken for granted everybody understands the value of a process, a service level agreement, SLA. These are concepts which are not very common in this sector for various reasons. You have not had the investment. You have not had the training in human capital. So it's a challenge to upgrade the competencies of people, even start to think and say, 'Hey, I have a customer. I need to make sure that the deliveries go on time at a certain quality. All the interdepartmental coordination that is required needs to get handed out and not impact the customer.' So I think innovation comes at a later stage. Right now, in my view, just getting their act together to provide is a challenge for most organisations. CCD

Resource constraint issues confront MSMSEs in both the developing world and the developed world, as well as for-profit SMEs (Abosedo et al., 2016; Barraket et al., 2015; Bull, 2007). The for-profit SME and nonprofit MSMSE sectors are confronted with same volatility in the contextual environments as larger organisations. As a response to these challenges, the adoption of a strategic management processes (strategy formulation, implementation and reporting) is being

more widely accepted in the SME sector. In a systematic literature review of strategic management in SME development, Abosede et al. (2016) explored the relationship between strategic management and SME development in both developed and emerging economies. In the case of the emerging economies, the review concludes that adopting a strategic management process is relevant to the long-term sustainability of organisations which are subject to contextual (internal and external) environmental changes. Strategic management/planning processes have been adapted by the nonprofit sector over past few decades.

However, Bryson (2011) argues that the uncertainty in the prevalent contextual environments and the tight interconnectedness mean that any “changes anywhere in the system reverberate unpredictably – often chaotically and dangerously – throughout the society” (Bryson, 2011, p. 625). Bryson (2011) strongly advocates that NPOs must think and learn strategically and must translate their insights into effective strategies in response to the uncertain environmental challenges. Hu et al. (2014), in an empirical study to evaluate the value of strategic planning/management and the challenges in the SME nonprofit sector, sought answers to the questions, “Can strategic planning help small nonprofits improve management and performance? What are the major challenges facing small nonprofit organisations when using strategic planning in their management practice?” (Hu et al., 2014, p. 84). The organisations surveyed were located in the USA and similar in size to those in this research. The findings revealed that most of the organisations were of the view that strategic planning/management is an effective management tool and is of value to their organisational operations in seeking public support, exploring new partnerships, and enhancing and managing current stakeholders. However, time, finance and human resource constraints are barriers to adopting strategic management and planning processes. The study emphasises the importance of “transformational leadership” to shift the thinking of small organisations away from a day-to-day operational focus as a platform for both organisational and financial sustainability (Hu et al., 2014, p. 96).

The effectiveness of the strategy formulated in this phase is linked to the ongoing assessment of the performance in achieving the strategic goals and objectives, and so ensuring the sustainability of the organisation. Poister (2010) observes that, to respond effectively to the current uncertain environments and progress on the growth path, organisations need to think strategically and manage for results. Further, they need to shift from a focus on measurement to an emphasis on a process of performance management which closely links strategic

management and performance management processes, where the strategy defines and reinforces the overall performance and informs the strategy in the process. The imperative to link strategy and performance in both the for-profit and nonprofit sectors is a recurrent theme in Kaplan’s (2001) ground-breaking contributions to the organisational performance field. Walsh (2006, p. 267) encapsulates this view in a key equation:

$$\text{Performance} = \text{Strategy} + \text{Measurement} + \text{Change}$$

In reference to the financial performance of NPOs, he states that: “The managers and constituents of nonprofits are increasingly concerned about measuring and managing organisational performance. Financial measures alone, or even supplemented with a collection of ad hoc nonfinancial measures, are not sufficient to motivate and evaluate mission accomplishments” (Kaplan, 2001, p. 353).

The next phase of the theory deals with linking the cognitive strategy formulated in this phase to the core conceptual category – *performance*.

Phase 4: management actions for strategic performance management – implementing/executing a performance strategy

The central theme underpinning the substantive theory is *performance*. Empirical analysis of participant data has revealed that *performance* is the overarching core conceptual category of the emergent theory and has the most causal impact on financial sustainability. This core category *performance* is contingent on the three interrelated context-related subcategories. The interviews explored participants’ views on the theme of performance within these contexts. In the open coding stage of GTM analysis, performance-related fragments of data have been assigned to the *performance* category and subcategories. The coding structure under the parent code *performance* is illustrated in Figure 6.2 below.

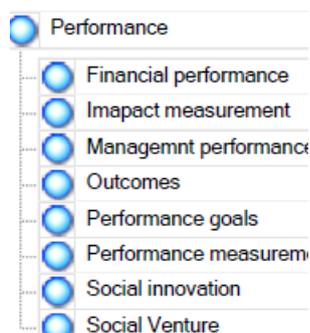


Figure 6.2 – Coding structure for parent code *performance*

Analysis of the data relating to the different aspects of *performance* and the researcher's impressions during the interviews show that organisational characteristics such as size, budget and current operational environment of the organisation are significant for participants.

However, there is a consensus view that performance is multidimensional and dynamic. Pure bean counting and achievement of financial bottom-line measures of performance do not result in long-term financial sustainability. There are multiple, dynamic non-financial factors that impinge on financial performance and consequentially on financial sustainability. Francois (2015) interprets the financial sustainability of NPOs – unlike for-profits – as being a factor of the organisation's core mission and values, rather than money. Cultures of strategic planning, performance and measurement are identified as indicators of financial sustainability. Financial sustainability must empower the organisation to further its mission (Francois, 2015, pp. 17-33). All the participant organisations have adapted hybrid forms of traditional nonprofit and for-profit business models as a means of subsidising their nonprofit projects. Most of the participants share the view that they would prefer that their organisation reduce reliance on external financial resources and become financially sustainable by generating revenue through SE to fund their social mission projects. However, the evidence seems to suggest that their approach to financial sustainability is more tactical, based on financial considerations rather than long-term strategic considerations that combine both short- and long-term strategies in a strategic management framework. Overreliance on external funding and the consequential demands and conditions which are linked to specific performance goals by donor organisations, coupled with financial, time and human resource constraints, are barriers to adopting a strategic management approach.

As noted previously, the CMS interviewee commented that, irrespective of the sources of the funds, the performance of the enterprise is driven by the donor's perception of how the funds should be used and how performance should be demonstrated. Nor does the donor influence always allow for change in contextual factors and challenges, and consequently a change in organisation response:

You know, the social issues are very dynamic or new. So they go on changing, either they grow or disappear ... [new] forms of challenges come up. So whether an organisation is adept to these new challenges, you know, new things that are emerging is also very important. CMS

These views are not unique to the participants' organisations. A study of outcome measurement in the community sector in Western Australia found that resource and capability constraints prevented them from enhancing their approach to performance evaluation and communication (Flatau et al., 2015). Studies of strategic management issues in the nonprofit sector, including community-based small-to-medium organisations in other locations, have encountered similar resource constraints in both strategy development and management (Hu et al., 2014; Barraket & Anderson, 2010; Kong, 2008). This dependence is echoed by PROKRITEE, which is confident that the performance of the organisation on multiple performance metrics has ensured continued financial sustainability. However, the interviewee noted that the dynamics of the external, social and operational environments impact on performance and need continuous realignment in order to be financially sustainable and respond to the risks to sustainability:

I count at about twenty, twenty-five years this organisation has been running before my coming. But for some reason it was running a loss, always it was, the shortfall ... financially. There had been shortfalls always and MCC had to cover that shortfall ... Wherever I saw that this is a losing part of the business I had to ... take it twice and then do some analysis and then guide my people that way. So this is how almost each of my units and sectors and the overall business, I was able to make it profitable. PROK

This interviewee ascribed the continued achievement of financial sustainability to the management training and oversight of its parent organisation (a global US-based nonprofit organisation), his leadership and a talented team:

I carefully looked at, as my degree in business and as well as I spent twenty-five years with MCC ... I am fortunate that I had some kind of ... soft heart as well as the business talent. So these two I used in PROKRITEE to make it a profitable organisation ... But I do not want to keep all this credit to me because then I was able to use my team. I was so fortunate that the unit managers, they are really, really talented and the people who were working in this organisation before my coming, I just realised that they needed some kind of direction. So I'm very blessed that I was able to provide that direction and from then on we did not have to lose any money. Every year almost we are making money. PROK

The above view echoes CMS, but the latter also comments on the effects that performance measurement can have on individuals and that measurement on its own is no guarantee that a target will be achieved, especially as processes become more formalised or less informal:

Again, in most cases that I know, including CCD, a few months before is very informal. Now we actually have a formal CEO who managed to put in the processes and put a structure. Again, both a result of the donor agency request and our own realisation that you cannot scale up the formal process. So whether it is performance evaluation, whether it's goals, whether it's an accomplishment we are in the transition phase where we are moving from a completely informal into a kind of a process based model... Having spent twenty-five years in the corporate life, I understand both the importance of metrics and the limitations of metrics. Once you start measuring and people know you are being measured, there is always a tendency to [0:52:08.8] the system. So there is no guarantee that just because someone is measuring numbers, it actually has made a difference. At the same time, you can't have absolutely no reporting and measurement at all. It has to be a combination. CCD

There is consensus among the interviewed participants and in the literature on nonprofit accountability that, in a financially constrained economic environment, the execution of the formulated strategy must meet the increasing demands for accountability from multiple stakeholders. Nonprofit accountability is multidimensional. Multiple definitions of accountability and accountability frameworks are offered by scholars and practitioners (Ebrahim, 2010; Ebrahim, 2003; Cutt & Murray, 2000, pp. 1-28). The core dimension of the different accountability frameworks is performance (Nicholls, 2009b). From an institutional perspective on nonprofits and SEs, performance, performance measures and evaluation are being leveraged to establish legitimacy with both external and internal stakeholders, and to demonstrate the achievement of the organisation's strategic goals (Luke et al., 2013; Nicholls, 2010). Huybrechts and Nicholls (2013, p. 133) define legitimacy as "the congruence, in multiple stakeholder judgements, of an organisation's perceived actions with their expectations of its performance". Barraket and Yousefpour's (2013) study is of particular relevance to this research, as it focuses on the evaluation of social impact measurement among SMSEs. While the authors discuss the limitations of the research, there are differences in the contextual environments between MSMSEs and NPOs in South Asia and in Australia. However, the barriers to impact measurement as voiced by the participants include: staffing, skills and turnover; complexity of impact measurement and evaluation in particular early planning and setup rather than last minute scrambling for data; time constraints and work commitments; and an organisational culture that is geared more to action than evaluation (Barraket & Yousefpour, 2013, pp. 452-453).

The founders and senior executives of two small healthcare service organisations share a passion to scale up their current services and build the capacity of their organisations. They need capital for acquiring assets such as infrastructure, human resources, and medical and information technology, as well as a buffer of operational capital to ensure the sustainability of current services and capital for strategic expansion to other localities and expansion of the current portfolio of services. Both shared the view that the performance of their organisations strengthens their legitimacy and in doing so assists in strategic marketing to raise growth capital from multiple sources, be they philanthropic donors, CSR programs, government grants or social finance. The first step is to establish consistent performance over time, which has benefits in terms of staff retention and external legitimacy:

In most of the organisations of this order, what happens is the people who manage this kind of an organisation tend to dilute the focus of the organisation ... To run it for a short period, anybody can go, 'Five years, six years we run it'. I could have very well said, 'I've done my bit. I'm walking out'. No. I have to see that, like you know, this futuristic kind of a thing ... And today, because of a consistency of performance, the doctors who were our [0:10:24.5] they feel confident about our performance ... People who have been with us, who are with us, who came, they left, they want to come back to us, people are saying, 'Here is something that you're assured' [0:10:41.5] the consistency of performance. KHMS

Focus on the core mission must also be maintained and be “congruent” (Huybrechts & Nicholls 2013, p. 133) with performance:

Like in the hospital today ... the people who are funding you, should first and foremost have trust in you ... That if they give you even ten rupees, they know this guy will spend it for the focus on which it's been given to them ... That all accounts will be audited, the systems are online, and there will be no deviation of where that focus is. To see that that money that has been given reaches to the people concerned ... First and foremost, you've got to have a conviction about what you are doing. That's the most important thing. The team around you must be built under that spirit of, like you know, to provide that service ... For that [financial management] we have got a team of people ... But as much as that, you have to see that you perform. Your focus should be on performance. KHMS

Ultimately, all stakeholders – staff, patients and investors or donors – must be assured of the organisation's performance – and therefore its legitimacy – for sustainability to be achieved:

At any given time, once people have a trust in you, things will happen, without any doubt. Let's not air, dilute on that, people [1:03:16.2] going to be assured that here is a thing that is going to sustain, that's going to grow, and is going to create an impact ... The services that you provide, you upgrade your services that you can provide for them. That's what your focus should be. That's what your focus [1:04:46.5] that is your marketability. KHMS

In AyurVAID's case, performance and leveraging performance are a critical element of its financial sustainability strategy. This organisation specialises in offering healthcare services based on the Ayurveda tradition (prevention and cure) through a chain of hospitals. It needs both operational capital and growth capital. Competition is from other nonprofit healthcare institutions (Western, Ayurveda and others). Its point of differentiation is in relation to patient outcomes – and the actions to achieve these – as a key performance metric:

Similar in Ayurveda, the service is the product ... Ayurveda is a service industry ... because there is a very important relationship between doctor and patient; you base it on that. Number two, the prescription is never medicine, it is diet, lifestyle, medicine and treatment ... And the third thing which came out very clearly that, while it is a complex systems-thinking approach applied to the health of a human or any living system, or any system, it is completely systematic in terms of the process; you do this, then follow this and do this, everything is linked up. When this became apparent, what struck me ... [is] that this is completely process driveable ... That will alter your mechanics. AYUR

The “mechanics” referred to are first to do with patient medical outcomes, but secondly to do with linking these outcomes to organisational performance. While it is focused on the former, it envisages progressing to the latter:

No, for the growth part we need to raise capital, but for the existing things, they're self-sustaining ... For example, from almost inception we take the patient's feedback of medical outcomes ... So coming up with a patient to define the problems and to ascribe [0:52:52.0] to the problems and then come up at the beginning of treatment what is the type of improvement, what is the level of severity, end of treatment, post ... And we are a small company doing it all the time. So this is a way to, how to better serve customers and spontaneous outcomes ... It's not a hospital management system in typical terms, but you use the power of IT to look and monitor health, tracking and, you know, recording all the life cycle ... But right now, from a tactical angle we are looking at viability. AYUR

“Viability” is viewed as being dependent on scale while maintaining focus on the core mission and values of Ayurvedic medicine. If it succeeds in doing both, it will achieve both patient and enterprise performance goals and enhance legitimacy:

Our measurement of impact, I think at this point, has to be primarily in terms of number of patients served and cumulative as well. And the other thing is clearly in terms of the nature of medical care that we’re doing, and you know, the values based on which you set up [0:58:14.7] other quantification in terms of the bottom of pyramid and so on, that way, well we used to track it. At this point we are just focused on getting the centre business to a level of impact which is really scaled up and there. ... Absolutely, we have budgets and we have clear goals to go after, yeah. AYUR

The PROWESS interviewees are volunteers who provide pro bono business consulting and administration support to a micro SE based on the SHG model. They expressed confidence that the organisation is meeting its performance goals based on two metrics. The first is the social success of the organisation. As the women earn income from the revenue generated from the sales of the products produced by their activities, the social mission of the organisation is achieved:

Basically because the money that’s, a couple of women are the primary wage earners, because their husbands are day workers, day labourers and what have you. But for many of them, they are supplementing the income that the husband is making, and for them, it’s happening. If they didn’t do this, Tony, what would they do? They would have to go for day labour, or be one of these women that carries head-loads of wood, which some of my girls have done. We’re talking about the head-load and the other extreme. PROW

The second set of indicators or metrics relating to performance is the use of technology to track and monitor the costs, profits and incomes of the production and sales cycles. The key members of the group have been trained to use desktop-based spreadsheets to monitor the financial numbers as a measure of success:

I mean, one of the important ways in which we measure success is by numbers ... Financial numbers. How much have we produced, how much have we sold, etc. What other expenses have we had, what have our costs been this year, etc. ... Yes, we are maybe not taking full advantage of technology, but in terms of following the business, the computer has been a tremendous help for them because they have pretty much a cost-analytical accounting, so they follow the products from start to sale, they are able to, they have a

very accurate figure of how much each product costs in terms of the fabric that is going into it, different materials, the payment of the piece-rate. All of that has been, they are keenly aware of the advantage of using the computer. The one who is using it more, of course, more than anybody else, but all the others also, because they know that by following closely their costs, that maximises their profit ... So, all the records are kept in the computer. PROW

Micro organisations benefit by training the recipient community in basic IT skills (and equipment), at least to use spreadsheets to monitor financial performance. This builds the confidence of the community in their organisation and allows them to participate in decisions pertaining to financial sustainability, and to expand the use of IT in product design and marketing activities to confront the challenges of competition.

The Potters Shed interviewees (two partners interviewed together) are also volunteers who provide pro bono business consulting and administration support. The core source of finance is through the sales of pottery produced by a creative and talented master potter and cohorts who design and make the products, shaped by guidance from members of the organisation who have marketing and business sales skills. This is in contrast to PROWESS's SHG model, in which the functions of making of the products, sales and marketing are integrated to a greater degree.

The Potters Shed interviewees also expressed confidence that the organisation is meeting its performance goals based on two metrics. The first is the *social success* of the financial support to the schoolchildren's education program. The second is continuous upgrading of the potters' *skills* to meet market demands, thus covering both financial and organisational sustainability. The Potters Shed has focused on dual but related primary goals:

Our initial objective was twofold. One was to help children who needed financial help and the other was to help village potters upgrade their skills to make sophisticated, more sophisticated tableware. I think, you know, if you skip all the periods in between and if you look at where we are today, I think we have met our objective and quite successfully.
PS

The Potters Shed has minimum reliance on donations and is confident that the income generated from the sales of its pottery products will be sustained. This is predicated on the skills of the master potter, and the accounting and planning skills of a trustee:

Right now the donation is minimum. We don't really need donations to sustain our business. That is also partially again, basically the product is good, basically our potter is brilliant and he manages the pottery almost entirely on his own now, and now we have a third element of a very good business manager. One of our trustees who joined us a few years ago, he's meticulous with accounts, he's also very cautious, he's a good planner. PS

The status quo and long-term sustainability of the organisation will be affected by changes in the three contextual environments. Bell et al.'s (2010) views on nonprofit sustainability are particularly resonant for the Potters Shed. Emphasis is also placed on the proposition that sustainability is an orientation, not a destination. Changes in the environment dictate that decision-makers in NPOs cannot afford to sit back assuming that the strategies formulated at a particular time will ensure continuous availability of resources, due to changes in programs, funding sources or recipient communities. However, a sustainability orientation ensures the readiness to change sustainability strategies.

On the question of technology, the interviewees acknowledged that currently the organisation does not leverage technology in any of its operations, but that this will change with the need to assess the use of technology to meet competitive challenges:

The trustee who looks after our accounts does, but in the shop they don't. He keeps all the accounts in a book ... We haven't had any need for that because we've simply sold everything that's been made. So I suppose we would have the skills to use the websites, but we haven't seen the need for that. We haven't had to do anything, because whatever we make we sell. So we have become a little bit lazy and complacent about marketing our product because we've never had to do it, but that's going to change, I can see it, that's why I say we are at a turning point in more ways than one now. PS

A study of organisational performance of SEs in India by Mehrotra and Verma (2015) includes a commentary on the landscape in India (Mehrotra & Verma, 2015, pp. 37-38). The authors observe that, with regard to performance, in recent years SEs and the nonprofit sector have been widely perceived as not delivering what is expected of them, due to a lack of transparency. SEs nominate the lack of funds as the cause of underperformance, while donors cite a lack of ability to measure tangible outcomes. "Information asymmetries" in the relationships between the SEs and external stakeholders are barriers to accountability (Mehrotra & Verma, 2015, p. 38). A lack of strategic orientation and management, including of performance, leaves donors unimpressed and only willing to commit for the short term. Government bureaucracy also

inhibits the efficient transfer of funds from donors to SEs. These observations are equally true of the SE landscape in other countries in the South Asia region such as Bangladesh (Mian, 2014) and Sri Lanka (ADB, 2013).

A parallel theme inferred from the comments of the interviewees is that overly concentrating on financial performance may serve as a short-term tactical strategy. To ensure long-term sustainability including financial sustainability, the organisation must adopt a multidimensional performance framework that incorporates the demands of stakeholders in the three contextual environments: external, organisational and social (Lecy et al., 2012; Moxham & Boaden, 2007; Bell-Rose, 2004; Cutt & Murray, 2000). The design of performance-based frameworks for organisational sustainability is part of developing an overarching strategic management model for the organisation (Francois, 2015, pp. 83-100; Courtney, 2013, pp. 67-83; Heskett, 2002; Twersky & Blair, 2002). This requires a strategic analysis of the contextual environments (external and social) to identify opportunities, develop strategies for performance enhancement, and counter the threats and risks to the long-term sustainability of the organisation (Courtney, 2013, pp. 93-108). In parallel, strategic analysis of the organisation is required to identify operational and processual constraints, and to develop performance-based strategies for the sustainability of the organisation (Francois, 2015; Courtney, 2013, pp. 109-139; Sontag-Padilla et al., 2012).

In summary, the findings of this research, show that performance is critical for long-term organisational and financial sustainability, and reaffirms the extant literature on SE and nonprofit performance, in particular, as discussed earlier, in relation to the multi-dimensionality and context-dependent aspects. The organisation's performance framework needs to be underpinned by a strategy based on the contextual external, social and organisational environments of the SE. In doing so, Ebrahim and Rangan's (2010) counsel, particularly for small-to-medium SEs, is that:

it is not feasible, or even desirable, for all organisations to develop metrics at all levels on the logic chain. The more important challenge is one of alignment: building systems and structures for measurement that support the achievement of organisational mission, especially the goals that an organisation can reasonably control or influence. We contend that organisational efforts extending beyond this scope are a misallocation of scarce resources. (Ebrahim & Rangan, 2010, p. 4)

To ensure the effective allocation of scarce resources in small-to-medium SEs and NPOs, the performance framework must include a feedback process that addresses the variances between the actual and target levels of performance (Walsh, 2006). This is described in the next phase – *performance feedback*.

Phase 5: performance feedback for timely responses to changes in contextual events that impact on strategic performance goals

Monitoring, measuring and reporting on both financial and nonfinancial performance metrics allow an organisation to take corrective actions to remedy the situation before scarce resources are wasted, through an organisational learning process (Argyris, 1977). This capability is critical for SE and NPOs, as they are accountable to their funding sources and any evidence of resource wastage will be a threat to the organisation's sustainability. Ebrahim (2005) argues that the dominant perception that more accountability is better is myopic, and espouses that organisational learning provides the foundation for a broader perception of accountability by focusing on organisational mission. The author further notes, referring to Peter Senge's (1990) *The Fifth Discipline*, that this focus on learning as an explicit process for changing organisational behaviour is yet to widely adopted.

The organisational learning theory introduced by Argyris and Schon (1996) suggests that learning in an organisation happens at two basic levels: *single loop* and *double loop*. Single loop learning is focused on performance to achieve organisational goals and objectives based on the current organisational strategies. It identifies the barriers – systems, processes, resources and people – to achieving performance and takes the appropriate corrective action. Double loop learning is when the organisational strategy itself is a barrier to achieving performance goals and needs re-evaluation and modification (Walsh, 2006; Walsh et al., 2006; Ebrahim, 2005). Walsh et al., (2006, pp. 7-10) integrate strategy, measurement and change into a normative performance framework which includes feedback loops, as shown in Figure 6.3 below.

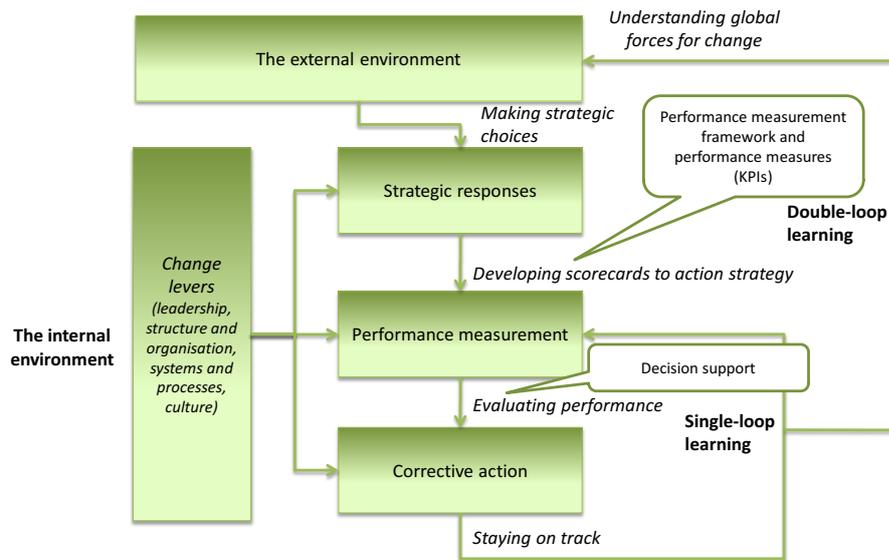


Figure 6.3 – Enterprise performance management (Walsh, Lock & Jones, 2006, p. 7)

The impact of the GFC, competition for donors, philanthropic and CSR funding, and new government regulatory regimes for the nonprofit sector, particularly in South Asia (OHLRICH, 2017; Mian, 2014), are all gradually driving NPOs towards changes in organisational behaviour. A key dimension of this again centres on *performance*. At present, participants' views on performance feedback are influenced by contextual factors such as donors' and recipients' expectations of social programs, rather than originating from a strategic performance framework that integrates all the dynamics in the contextual factors that impact on performance, as outlined in the previous phases.

The CMS interviewee (an experienced consultant in the nonprofit sector) is of the view that external non-government providers of funding (donors, philanthropists, the corporate sector) do not insist that the organisations they support should demonstrate strategic performance evaluation programs (Gupta, 2014, pp. 26-29) as a condition of funding. The government has included mandatory reporting requirements for CSR programs (Confederation of Indian Industry, 2013, pp. 23-25). India is the first country that has incorporated into law, through the Companies Act 2013, the mandatory requirement that companies with a minimum net profit of one million US dollars must spend on CSR activities (Confederation of Indian Industry, 2013). However, Sarkar and Sarkar (2015, p. 10) note that such regulatory provisions are typically a response to a lack of attention by corporations to CSR due to its perceived limited financial return, in the short term at least. Indeed, echoed by the comments below, complying with the minimum legal

requirements for reporting takes precedence over insistence on strategic performance evaluation programs, which can take many forms and may be very costly (Sarkar & Sarkar, 2015):

There are many ways, you know. Some people just want impressions, some people, you know, say go on with the client and find out whether what he feels or what she feels. Some people want a random sample survey and the latest craze among ... are a randomised control trial which is very, very expensive ... Some organisations do believe, many external and [0:54:11.5] very strongly believe in measurements. So they must have substantial money towards this, almost as good as twenty/twenty-five per cent of the project cost ... Some people don't believe in that, they say no, no, why should we spend so much money on such an evaluation? So it depends upon the approach of the donor, the attitude of the donor and how much money he is willing to commit for this. Depending upon that, there are various mechanisms of doing evaluations. CMS

In contrast to CMS, PROWESS is an all-female SHG. The management of the micro-enterprise and decision-making at all levels are exclusively by the seamstresses. The handbook on forming SHGs lists the criteria for assessing their performance (National Bank for Agriculture and Rural Development, 2003, pp. 17-18). A study by Parida and Sinha (2010) on the performance and sustainability of SHGs found that those comprising women, like PROWESS, do well in loan recovery and level of savings, and that all-female SHGs are indeed sustainable:

The fact that they don't borrow money anymore. They only borrow money within the system, so it goes back to the system, and very early also, we made them understand that they should not take loans for weddings, funerals, things like that. They should only take loans for assets. And a lot of them own property today, so that is, I think, a metric of success. But again, they can only do it because their income is enough, or the family income, say, is enough that they are able to do it. A regular SHG may not be able to. Women participating in a regular SHG may not be able to do that. So that is definitely a metric of success. PROW

In general, the focus of the participant organisations is on formal and informal program outcomes and tactical responses to deviations based on formal/informal feedback. Vidya Poshak assesses the performance of the students in their studies:

One of the important metric is to also assess how their academic performance has been. Somebody who came to us at eleventh grade, how did he or she perform in eleventh grade? How did the child do in their twelfth grade? How many of them went to a

professional course. How many of them went to a certain set of colleges which is considered premier colleges? For us that's also success criteria. VPO

PROKRITEE's evaluation is based on family holdings and the education of the children:

But currently, when we see that they have their own buildings, that all of the students are, all of their children are educated and two or three years become a doctor, a qualified doctor, so [1:20:53.2], and some of the children are working in big organisation like [1:20:56.8] or an organisation like this. So these are the indicators that our board has advised us to provide. PROK

The Potters Shed depends on its sales of pottery products for its social community projects:

But it actually comes at the end of the year. We see how much money we have and we realise, okay, we can give so many children school fees this year, and at the end of each financial year we review what we have done and we do think, this year we need to do this. This year we need to build a new kiln, for instance, or this year we are going to have to buy such and such raw material, and to do that I think we need to increase our sales, so can we do something to increase our sales? So maybe we decide to have a sale in order to boost our income a little bit. PS

While the above comments depict an informal performance feedback and corrective action mechanism, for the reasons discussed in previous phases this does not ensure long-term organisational and financial sustainability. The dynamics of the contextual factors, the rapid rate of change and the intense competition for funds all demand a feedback mechanism that accommodates timely corrective action (Rouse & Putterill, 2003; Gartner, n.d.).

6.4 Operationalising the theory – a practitioner's guide

An important test of any GTM theory is its usefulness (Strubing, 2007, p. 588). As a practitioner I fully understand the barriers that MSMSEs, such as those represented in this research, will face in operationalising the theory presented in this chapter, especially in a resource-constrained environment. This section outlines a pragmatic approach to addressing resource constraints and then sets out a step-by-step approach to operationalising the theory.

The substantive grounded theory presented in this chapter is driven by management cognition of the stimuli/inputs that feed into the five phases. The theory embeds in an organisation a strategic, long-term focus on sustainability and aims to support organisations moving through

the phases of development as SEs. Even for those organisations that believe that they have well-developed strategies, it is imperative that the strategy is one that will move them to the maturity phase of SE development. Operationalising the theory to develop and implement a formal strategic plan (as distinct from informal and tactical plans for day-to-day survival) is also challenging for some of the organisations sampled in this study due to resource constraints (Peredo & Chrisman, 2006), in particular human resources and capabilities. In addition, strategy frameworks and processes commonly used in larger enterprises are not easily adapted to micro and small or even some medium-sized enterprises. This difficulty compounds the resource issue.

An approach to solving the resource issue has emerged from the literature on bricolage and social entrepreneurship. MSMSEs are a response to a lack of facilities and services in the local community, in turn a consequence of lack of scale in demand justifying public or private sector investment (Di Domenico et al., 2010, p. 683) due to remoteness and the social nature of their services (e.g. KHMS), opportunity (e.g. Prowess) or social and cultural norms which inhibit social issues being openly addressed (e.g. SL-NPO). Such organisations need to become very innovative in utilising and expanding the resource base available to them (Di Domenico et al., 2010). Bricolage is about *making do* with what you have. This does not mean that mission or purpose is limited by what is to hand but, rather, that resources are reconfigured to suit the purpose or create a new purpose through improvisation and often in resistance to contextual constraints (Di Domenico et al., 2010, pp. 685-686). Di Domenico et al. (2010) in their study of UK social enterprises also found that social value creation, stakeholder participation and persuasion play a role and they conceptualised social bricolage as a distinct type.

Bacq et al. (2015) found that performance in relation to goals and outcomes, and scalability of social impact, are a better guide to success than size and growth related processes, and that this success depends on a bricolage approach to resources. Similarly, in this research it is found that size is not a reliable indicator of maturity as an SE. This is reflected in AyurVAID's story, AyurVAID being one of the larger MSMSEs included in the sample:

So right now our immediate goal is scaling up and reaching out to a larger number of people, and we know that inevitably then the other things also happen. So this is not something which is meant to be in the shortest time possible showing that we did impact so many. That is not the idea. AYUR

Moreover, bricolage is a more appropriate strategy for entrepreneurs who prioritise social mission and impact over financial outcomes. This approach does have its limitations and the

authors concluded through their empirical study of 123 organisations in resource-constrained environments that there is a point at which bricolage becomes ineffective to further scaling up of social impact. Nevertheless it is an appropriate starting point for the types of MSMSEs studied in this research given their early-stage development (Kannampuhza & Suoranta, 2016).

Potters Shed, for example, draws on the community to help bridge resource gaps, although this is not without its tensions:

And so we have added from time to time other community members who bring a new and absolutely essential need. One of them is business acumen and I'm sorry to say in Jaysri's presence that both Jaysri and I and the Mikas needed help all along the way. At some points we struggled with the help that we managed to procure and they struggled with us and there were many periods of time where we didn't have a friendly relationship with all of the people who were leading. PS

That just hints at the frustrations but perhaps you don't need any more detail than that to realise that it's been a struggle to maintain the equilibrium of the business for a group of artists basically which is what we are to start a small business is quite a risk taking venture and we were tenacious and we simply didn't give up. PS

While making do, MSMSEs also need to focus strategically on sustainability. This is difficult to do even with an innovative approach to overcoming resource constraints that still lacks a strong long-term foundation. One way to reconcile these two pressures is through micro-strategising, that is, "an activity-based view of strategy that focuses on the detailed processes and practices which constitute the day-to-day activities of organizational life and which relate to strategic outcomes" (Johnson et al., 2003, p. 3). This concept has emerged from the management literature in response to the importance of a strategic focus and reflexivity (Johnson et al., 2003, p. 5) at a managerial level in organisations, that is, deconstructing the strategy top down through the layers of an organisation with an emphasis on the contribution of activity as well as macro resource planning. In the context of MSMSEs, it is suggested that the embedding of a strategic focus might begin at the micro level and gradually develop into a more macro picture. In practice this means developing an organisational capability while building a performance-based strategy from the ground up.

Establishing the organisational capability is a precursor to operationalising the five phases of the management action theory. The first step therefore is to identify individuals in the organisation who have or can assume responsibility for a domain of activity. Prowess, for example, has a core

group of women with limited education but who have developed, through their involvement, some skills in basic functions of the business such as accounting, marketing, design, and some understanding of competition and pricing:

So, it is a problem, administration is definitely a problem with SHGs and it will be a problem that is going to stay for a long time, because I think that an SHG, a self-help group, is really an artificial creation. It is not like a business, even though they should be able to work like a business. And our ladies do tend to work like that, but usually in a business, you try to either promote somebody from within, or hire outside competence. In this, in the case of an SHG, you cannot hire an outside competency, it has to come from inside, so if out of a group of fifteen people, you don't have the next one to take over if the first one drops, it's difficult... Sustainability will be a huge problem. PROW

As such, while they can deal with the day-to-day operations of the business, including co-ordinating the shopfront, purchasing materials and organising the workshop, they lack awareness of the environmental factors that are important to developing a strategic focus, or at least a strategic framework within which to make decisions:

We have, I would say, would you say a dozen major people, outlets where our products are sold, and they change, in the sense that some of them are major, some of them are less important and apart from that we try to get some new clients every year, because we can't rely on the same group to be able to help us. PROW

This contextual awareness and strategic focus currently sits with the interview participant alone. The latter needs to therefore educate and train this core group, or indeed others with appropriate aptitude, to understand the importance of working towards sustainability, the challenges in this regard for their enterprise, and to then embark on adopting and adapting the theoretical framework, by following the steps outlined below.

Yeah, that will be the aspect that will make life difficult after all, actually for the SHG, because Tiku [founder] is undertaking that search for new markets. On their own, they won't be able to do it. So, it's maybe, it is sad to realise that an organisation will not survive its creator, so to speak. PROW

Potters Shed faces the same challenge, initially relying on the creativity and artistry of the master potter:

We were about seven trustees I think initially and one of them agreed to keep the books. The rest of us didn't have any specific roles and everything was sustained by Subramaniam's brilliance. PS

You know things like market penetration are all for people who know markets. I don't, I don't think anybody in Kodi is very good at that because we are so limited in our exposure to markets. We also have to be interested in going out and seeing what's everybody selling, what's everybody pricing you know. PS

They also demonstrate a pathway to developing capability at a functional level while acquiring new capability as needed and ensuring that new people have the contextual awareness that is lacking in the organisation:

Initially every time we needed raw material we went back to Ray and Debbie and they would do the ordering for us and have it sent. And so in so far as supply of raw materials that was a challenge because one day we would have to do it ourselves. Subramaniam [master potter] himself became independent very rapidly because he quickly understood that none of us are potters and that he had to do this himself. PS

And now we have a third element of a very good business manager. One of our trustees who joined us a few years ago he's meticulous with accounts, he's also very cautious, he's a good planner. PS

We made a lot of mistakes and one of them was not paying much attention to what the government expects a small business to do. By the fortunate acquisition of this business fellow that now is in charge of our books we're in good shape, we really are and I'm just trying to make a generalisation here. I think it probably took us about a decade to get out of the hole, or get out of the red so to speak. We've been fairly black since in terms of our books. PS

SL-NPO's model is more traditional with a board and a CEO, but still less than ten employees and approximately the same number of volunteers. It faces similar challenges in terms of human resources and capability:

So that's where it's required because I think that's why I keep on saying that, because we don't have even, like now I've been trying to create a middle management for SL-NPO, right through the years, which I have not succeeded... So that you can attract people who can work at both ends. But somehow we've not succeeded in retention as well as, you

know, the commitment. Because the fact is that when they come to work in a social enterprise their mindset is still on the social service and they don't see anything [overtalking][0:46:15.4] else. SL-NPO

SL-NPO also struggles with the lack of a clear framework for management decisions while focusing on scaling up its social impact:

We have the targets. But the fact is that, you know, like there is no financial target, 'Here's how much you need to run the organisation.' And most of the time that you'll find it all depends whether you are going to reach that target or not. But if you don't reach the target then you'll have to see what the other strategy you're going to take, like downsizing and all that kind of thing. You have the targets, even for the program you would say, 'Look, you need to cover this amount of people. You need to get this amount.' But it all depends whether you will be able to get it. SL-NPO

AyurVAID is a larger organisation and has scaled up the operation over time. The executive interviewee, drawing on his experience, reinforced the importance of this first capability-building step:

I think getting the right team in place and sourcing the capital for growth. But then it's essentially, those are the key things in [0:38:46.1], it's selecting the right team on time, the training them and the motivating them that that part is definitely objective number one. And secondly, having funds to support all those things. The other thing is about the quality of service and other issues are all essentially completely a part of the game. AYUR

He also demonstrated his own contextual awareness:

Well, the fact the market is growing fast, is mature or is a market ready, then are the conditions for rapid growth, is it, or is the business scalable truly? And at a scalable level, what is the kind of, the unit economics and the company economics as a whole that's there, and then what are the impediments to growth, you know, [0:43:29.7] supply side [0:43:31.2] in terms of talent availability, regulatory constraints which restrict growth. So these are the core points that they look at. AYUR

Once this resource and capability hurdle has been overcome, the remaining steps to operationalise the theory, and in doing so build a performance-based strategy from the ground up, are:

1. Encourage the management team to reflect on the implications of the external, operational, and social contexts in relation to its domain of activity. This aligns with Phase 1 of the theory.
2. Educate these individuals on the contribution which their activity makes to organisational mission and long-term sustainability – positive or negative – at a point in time. This aligns with Phases 2 and 3 of the theory.
3. Allow them scope, as a team, for entrepreneurial bricolage to overcome resource constraints. This aligns with Phase 4 of the theory.
4. Again encourage them to periodically reflect on their contribution to mission and sustainability.
5. Gradually introduce the concept of performance and link it to concrete, long-term goals at an activity level and then macro-organisational level. This aligns with Phase 5 of the theory. This final step is critical so that the organisation can anticipate the point at which it must move beyond entrepreneurial bricolage to continue to expand its social impact.

Morato's (2013) framework of the five life forces of entrepreneurship includes as number three the organisation or "inner life force", that is:

Belief in a common cause and the willingness to sacrifice instil discipline in and assure the performance of the enterprise. If these traits are present, the organization itself becomes 'intrapreneurial'. Managers and workers innovate as in-house corporate entrepreneurs ... They devise structures and mechanisms for institutionalizing continuous environmental scanning and opportunity seeking. (Morato, 2013, Chapter 2, Part B, Section 3)

Morato goes on to explain how this life force is developed and shaped through the stages of development of the enterprise in a similar way to the five-step process outlined above. In this process, management cognition is constantly developed and reinforced in support of day-to-day management action, such that it makes a positive contribution to long-term strategic outcomes and sustainability, and reduces dependence on the individual leader or original entrepreneur. This is an essential risk-management strategy for MSMSEs.

6.5 Summary

The first part of this chapter has explored the concept of theory in GTM and its presentation. The meanings of the terms *theory* and *the practice of theorising* in grounded theory have been clarified. It has been emphasised that, in grounded theory, while the concepts are principally derived from the data, the creative thinking of the researcher is also an important tool in the

practice of theorising. A distinction is made as to what constitutes substantive and formal theory in grounded theory. The reader has also been reminded of the principle of the abductive approach, by which, in the process of developing theory, the researcher also references existing theory. This is evident in the elaboration of the theory later in the chapter. It is emphasised that the written grounded theory should portray the articulations and perceptions of the participants on the researched topic in terms of the theoretical framework. It is argued that similar formats are adapted in management studies in which theoretical elements are described and substantiated by empirical data.

The second part of the chapter has presented the theory of financial sustainability. The theory describes the steps to be taken by MSMSEs to achieve financial sustainability and progress from start-up to maturity in the SE development life cycle (Burkett, 2010). In revisiting the classification undertaken in Chapter 3 (see section 3.5), this time drawing on interview data, it has been found that most of the sampled organisations are in fact at an earlier stage than previously assessed. Regardless of length of time in operation, none have moved beyond the development phase due to a lack of strategic performance focus. The substantive theory is based on the premise that management must be *cognisant* of the external, operational and social contextual factors influencing performance in relation to the core mission and goals of the organisation, and develop a strategy in response which provides a framework for appropriate *management action*.

The theory is framed within a specific paradigm appropriate to management and organisational research, that is, Partington's (2002; 2000; 1998) simplified paradigm model of environmental stimulus → cognition → management action, based on the mode-2 management and organisational research paradigm for presenting the substantive theory. This framing is significant because it is argued that Partington's simplified model bridges the gap between rigour and relevance, and between the supply side of knowledge as in universities and the demand side of knowledge as in business. Partington (2000, p. 91) also highlights two themes related to the mutual dependence between academics and practitioners in generating useful theories: first, theories based on inductive and empirically based studies; and, second, a shift to management action theories based on management cognition and the active role of managers. The substantive grounded theory generated by this research bridges the academic and practitioner perspectives on what constitutes a useful theory. In doing so, it addresses the objectives of the research.

The chapter has then proceeded to propose a substantive theory of *performance for financial sustainability* for small-to-medium NPOs in South Asia based on the data collected and the data analysis in Chapter 5 which reveals three tiers of conceptual categories and subcategories, with the core category of *performance* and subcategories of external, organisational and social contexts. The theory is presented as a management action theory in five phases, beginning with management sensitivity and cognition of those factors in the contextual environments (external, organisational and social) that impact on the performance of the organisation in achieving both short- and long-term sustainability. This sensitivity, if well-developed, leads to a targeted response which reconciles the tensions within the contextual environment. In the second phase, managerial cognition of stimuli/inputs requires the interpretation of the data/information in relation to a stimulus/input in the environment so that it shapes managerial action. From there, the organisation proceeds to cognitive strategy formulation for performance and the development of a framework for management and staff for making decisions on the actions required to achieve financial and organisational sustainability. As the strategy is translated into action and executed, it is linked to performance through multidimensional performance management within the context of external, operational and social drivers of accountability and legitimacy, and ultimately sustainability. The last phase is the performance feedback loops for timely responses to dynamic changes in the contextual events that impact on both the performance measurement and the performance strategy framework.

Organisations seeking to apply this theory in practice must first diversify management capability beyond the individual entrepreneur and identify, through bricolage, the resources available to them (internal and external) that will form the foundation for operationalising the theory.

7 Chapter 7 – Conclusion

7.1 Introduction

In the experience of this researcher as an active member of a small nonprofit organisation in Australia and having been involved in similar organisations in Sri Lanka over the years, the most critical organisational challenge confronting such enterprises is how to ensure long-term financial sustainability. The objective of this research has therefore been to generate a grounded theory of financial sustainability for micro, small and medium-sized NPOs in the South Asia region (India, Bangladesh and Sri Lanka) which have adopted an SE model as a pathway to achieving financial sustainability. The prime source of data for the research was a series of face-to-face, audio-recorded, semi-structured interviews with key executives of MSMSEs in these three countries. Analysis of the data was based on Strauss and Corbin's (1998) GTM to identify the core and sub-core thematic categories. The generated grounded theory of *performance for financial sustainability* has been arrived at using a GTM analysis of the qualitative data and an abductive approach to theory development which integrates existing theory and literature. It is a management action theory that addresses the requirements of both academic and practitioner audiences.

This concluding chapter of the PhD thesis: provides a synopsis of the theory; demonstrates how the generated grounded theory of performance for financial sustainability achieves the stated objectives of the research; describes the significance of the research in terms of its contribution to addressing the gap in extant literature; provides a strategic management action framework for practitioners to achieve financial sustainability; and outlines the limitations of the research and potential avenues for future research.

7.2 Synopsis: substantive grounded theory of performance for financial sustainability of MSMSEs in South Asia

The substantive grounded theory developed in this research has been presented as a management action theory of financial sustainability of MSMSEs in South Asia. The synergy between GTM and the mode-2/S-O-R perspective of management and organisational research has underpinned the development of this theory and it is based on Partington's (Partington, 2002; 2000; 1998) simplified paradigm model with an emphasis on management sensitivity to environmental stimulus leading to cognition and resulting management action.

The emergent theory postulates a pragmatic and logical managerial action framework which addresses the critical challenge of long-term sustainability confronting MSMSE NPOs in the South Asia region. These organisations have adopted SE business models with the objective of becoming financially sustainable. However this research has argued that a lack of strategic orientation and management, including in the critical core category of performance, inhibits the long-term sustainability of such organisations. A parallel theme inferred from the research data is that overconcentration on financial performance may serve only as a short-term tactical strategy. To ensure long-term sustainability, including financial sustainability, organisations must adopt a multidimensional performance framework.

Informed by participants' views on the sustainability of their organisations, this substantive theory of financial sustainability, illustrated below in Figure 7.1 below, provides the answer to the overarching research question, that is, how to achieve the financial sustainability of MSMSEs in the nonprofit sector. The theory incorporates the demands of stakeholders in the three contextual environments: external, operational and social contexts (Lecy et al., 2012; Moxham & Boaden, 2007; Bell-Rose, 2004; Cutt & Murray, 2000). The proposed management action theory of performance for financial sustainability is constituted in five phases of managerial action, beginning with management sensitivity and cognition of those factors in the contextual environments that influence the performance of the organisation in achieving both short- and long-term sustainability. This sensitivity, if well-developed, leads to a targeted response which reconciles the tensions within the contextual environments. In the second phase, managerial cognition of stimuli/inputs requires the interpretation of the data/information in relation to a particular stimulus/input in the environment so that it shapes managerial action. From there, the organisation proceeds to cognitive strategy formulation for performance, and the development of a framework for management and staff for making decisions about the actions required to achieve financial and organisational sustainability. As the strategy is translated into action and executed in the fourth phase, it is linked to performance through multidimensional performance management within the context of the external, operational and social drivers of accountability and legitimacy and ultimately sustainability. The last phase of managerial action is the performance feedback loops for timely responses to dynamic changes in the contextual environments that affect both the performance measurement and the performance strategy framework.

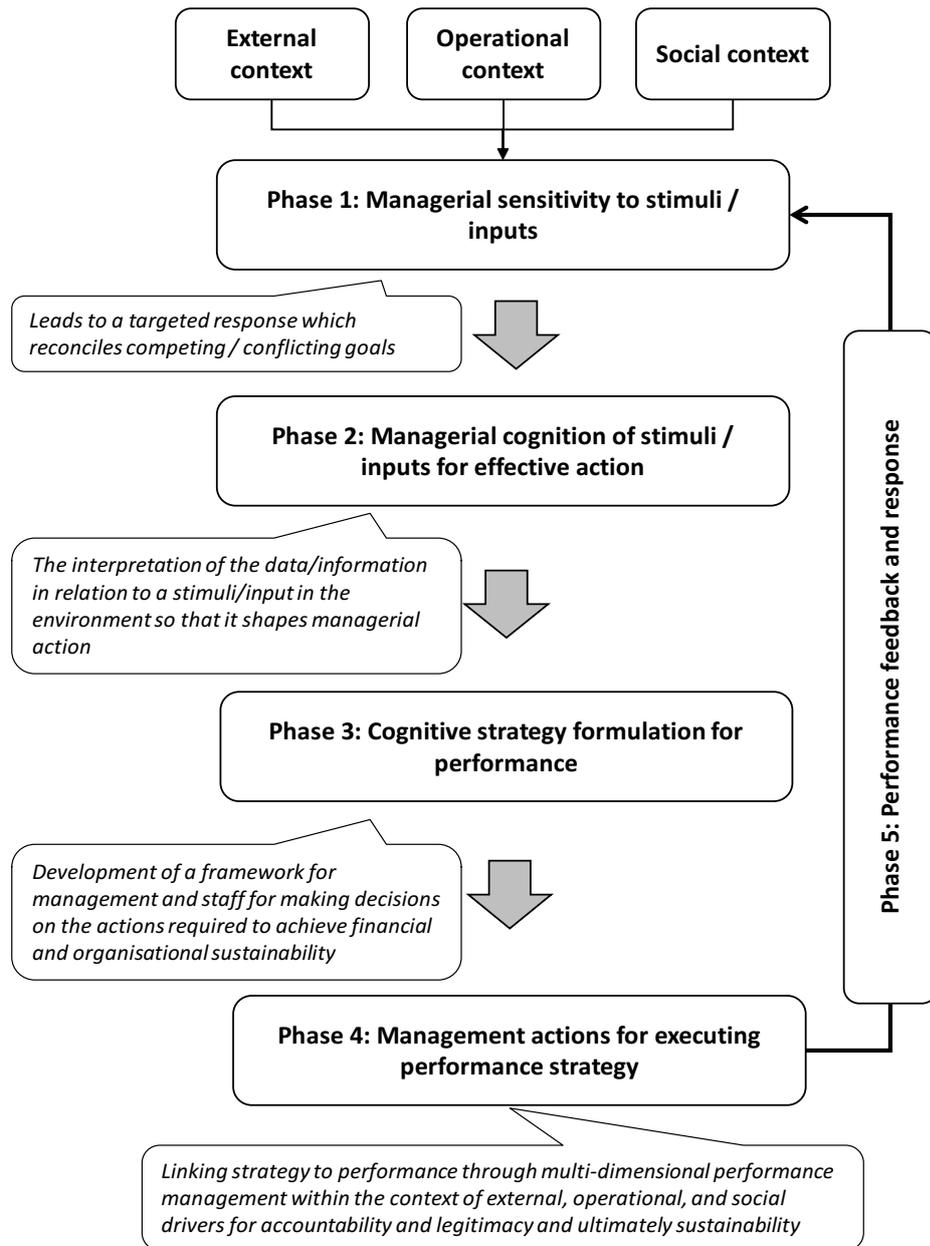


Figure 7.1 – Grounded theory of performance for financial sustainability

This management action theory is based on five premises:

- 1) a strategic approach to organisational performance within the three contextual environments
- 2) leadership, commitment and managerial cognition by senior executive and management teams in relation to the performance strategy
- 3) a resource-based view of strategy formulation

- 4) pragmatic resource allocation for strategy implementation; and
- 5) a performance strategy implementation which is dynamic and responsive to changes in the contextual environments.

The theory as presented is a contribution which addresses the paucity of research studies on the financial sustainability of small-to-medium NPOs in the South Asia region and also provides practitioners in the sector with a strategic management action framework for achieving financial sustainability.

7.3 Grounded theory of performance for financial sustainability: meeting the objectives of the research

The objective of this research was to develop a theoretically grounded strategy for the financial sustainability of small-to-medium NPOs engaged in SE strategies in the South Asia region. The grounded theory generated by this qualitative research will contribute to formulating practical solutions so as to achieve financial sustainability across the spectrum of small-to-medium NPOs and SEs. The study is based on a conceptual framework (see Figure 7.2 below) underpinned by three scholarly contributions to the research field: an empirical study (Kerlin, 2013) and two grounded theory studies, by Seel (2006) and Weerawardena and Mort (2006). This literature suggested a set of themes to be used as a starting point for the proposed research (beginning with the semi-structured interviews) and the generation of new theory.

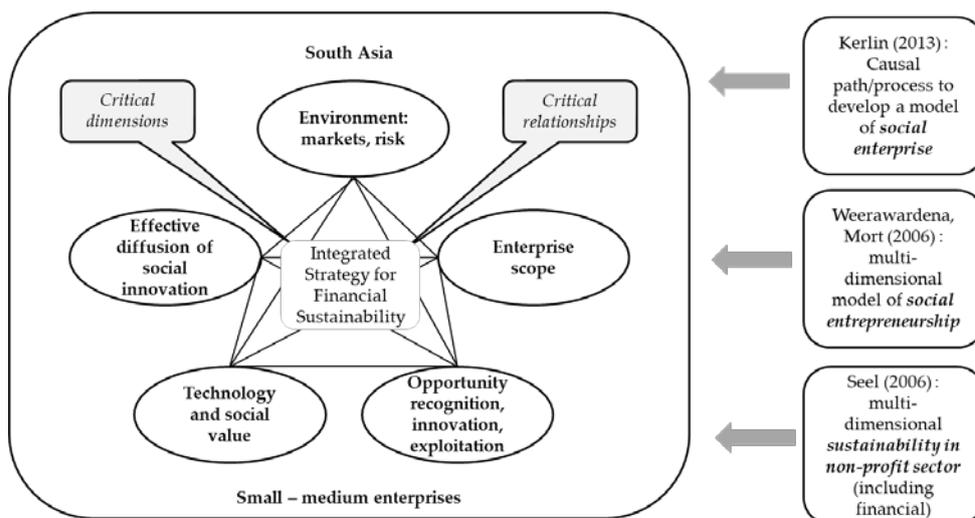


Figure 7.2 – Conceptual framework

The theory has been developed by analysing the prime corpus of interview data using Strauss and Corbin’s (1998) GTM and abductive reasoning. The GTM analysis has identified the core

category – *performance* – and three subcategories – *external context*, *operational context* and *social context*. The theory of performance for financial sustainability proposes a strategic and management action approach to organisational performance based on management cognition of the factors in the three contextual categories that influence the performance of the organisation.

In relation to the second objective, GTM has gained wide acceptance in organisation and management research, as evidenced by the increasing number of scholarly journal articles and research publications. However, the lack of relevance of management research to most practitioners has been, and continues to be, a topic of debate and discussion in management and academic journals. This disconnect is ascribed as the reason that organisational theories often do not have any practical value for stakeholders in business and government (Hindle et al., 2004). Competition and consumer demand make it imperative that business strategies are based on well-researched knowledge as a platform for informed decisions and action.

The substantive grounded theory generated by this research bridges the academic and practitioner perspectives on what constitutes a useful theory (Partington, 2000, p. 93). Moreover, the similarities between Strauss and Corbin's (1998) GTM and the mode-2 substantive grounded theory of performance for financial sustainability generated by this research are presented in an adaptation of the simplified paradigm model of environmental stimulus → cognition → action (Partington, 2002; 2000; 1998), as discussed in Chapter 6, section 6.3.2. It is a pragmatic and practical management action strategy in five phases. It is also a strategic action framework that can be modified to accommodate the unique external, operational and social contextual environments of MSMSEs. The application of the phased management action framework contributes to the formulation of practical solutions to achieving financial sustainability.

The twin objectives addressed above underpin the specific research questions which this research has aimed to address. The overarching research question which has been addressed through the development of a grounded theory as discussed is:

How can small to medium-sized NPOs in the South Asian context achieve financial sustainability through SE business and organisational models?

The associated sub-questions have aimed to: first, ascertain the critical themes emerging from the literature and analysis of the interview data in relation to financial sustainability strategy; second, understand why these themes and their interrelationships are critical for financial

sustainability; and third, determine how the findings could be integrated in order to develop a new theory of financial sustainability for the target organisations.

In response to the first sub-question, as discussed above the literature informed the identification of a priori themes while the analysis of the data further allowed for emergence of additional critical themes, that is categories, and their relationships. In response to the second sub-question, the analysis identified *performance* as the core category critical to achieving financial sustainability. In response to the third question, this core category is further linked to three main subcategories – external, operational and social contexts – and their associated sub-subcategories, as shown in Figure 7.3 below (refer *Chapter 5 – Discussion and Analysis*). The development of the theory has proceeded from this conceptual model of critical themes and their interrelationships.

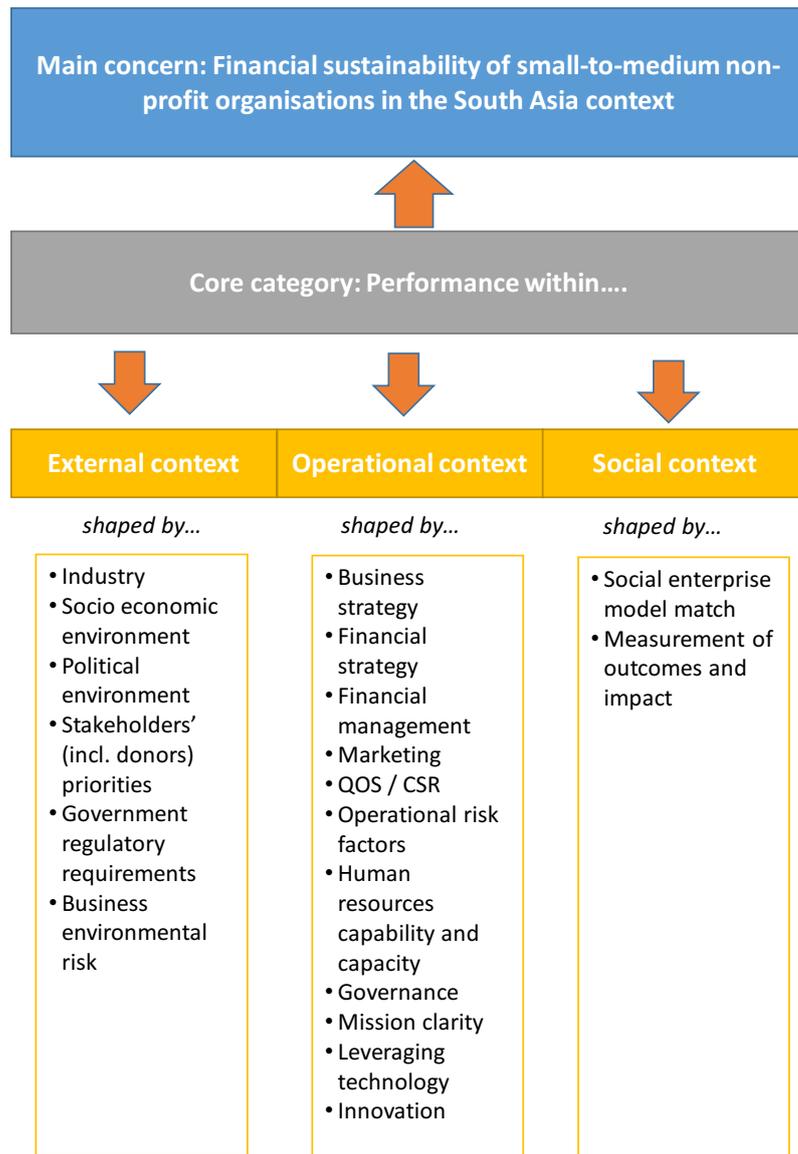


Figure 7.3 – Core category and related subcategories

7.4 Contribution of the research to bridging gaps in the literature

The literature on SE reviewed in *Chapter 2 – Theoretical and Empirical Literature Review* comprises: GTM research; SE as a research field; economic theories of NPOs, including financial sustainability; defining SE and social entrepreneurship; and financial sustainability. The gap in the literature is identified as firstly contextual, that is relating to developing countries, and within this domain, empirical and theoretical. The following discussion summarises the contribution of this research on the financial sustainability of MSMSE organisations in the South Asia region which have adopted SE models to reduce dependence on external funding for their

social capital building projects. This is done first with reference to the literature topics and lastly with reference to the contextual, empirical and most importantly theoretical gap.

7.4.1 GTM research

The initial and secondary reviews of the literature undertaken in this thesis have been critical elements in developing the substantive theory of performance for financial sustainability. This contributes to current literature on the timing of the literature review in grounded theory by reaffirming the claimed benefits of such an approach in the context of this research. These benefits have been found to be as follows: first, the initial literature review increased understanding of the developments in the field of research, before decisions on methodology were made; second, it helped to identify the gaps in the literature which were of particular relevance to the practitioner and to confirm that the study had not already been done; third, it helped to contextualise the study, given its specific geographic location in the South Asia region and its specific focus on SMSEs; and fourth, it enhanced theoretical sensitivity in the data analysis and theory-building phases. Another feature of this research is the secondary review of the literature after data collection and analysis, as categories and tentative theories emerged. This procedure has enhanced the theoretical level by analysing the extant literature in relation to the development of the new theory.

7.4.2 SE as a research field; defining SE and social entrepreneurship

As discussed in Chapter 2, SE and social entrepreneurship research is viewed as nascent and pre-paradigmatic, and it lags behind practice. The impediments cited by scholars to the advancement of SE research as a serious paradigmatic field and its consequent lagging behind practice are: no consensus on domains, boundaries, definitions and meaning of SE; a lack of rigorous research methods; limited conceptual understanding in the context of traditional economic assumptions; and language limitations (Mueller et al., 2015; Teasdale, 2012; Bacq & Janssen, 2011; Lyon & Sepulveda, 2009).

The substantive theory developed in this research contributes to the advancement of SE as a research field by addressing these impediments. First, in relation to consensus on definitions, Newbert and Hill (2014) observe that wide variations in domains, boundaries, definitions and meanings of the SE phenomenon have been lumped into one immense ‘tent’ of social entrepreneurship. The outcome of this inclusiveness is that “scholars can neither identify appropriate theories with which to predict or explain social entrepreneurship nor, given that there is ‘nothing so practical as a good theory’ (Lewis 1951, 169), develop sound advice regarding how to practice it” (Newbert & Hill, 2014, p. 244). This large-tent issue in SE research can only

be addressed by adding precision to what SE is in the development of robust theory about the phenomenon being investigated (Newbert & Hill, 2014). The small-tent approach, in which the wider SE phenomenon is disaggregated into smaller communities of scholars and researchers who investigate similar fields of research within precisely defined domains and definitions, facilitates the development of good theory.

This research on financial sustainability has adapted the small-tent approach by clearly demarcating the typology and defining the central elements of this research. This research has focused on small-to-medium nonprofits and SEs that belong to the social value creation group in the typology illustrated again in Figure 7.4 below. Further, the working definitions that underpin this research are: a *social enterprise* is an organisation “seeking business solutions to social problems” (Doherty et al., 2014; Thompson & Doherty, 2006, p. 362) and *financial sustainability* is the ability of the SE organisation to generate all or a significant part of the revenue it needs in order to achieve the social mission consistent with its system of values (Alter, 2003).

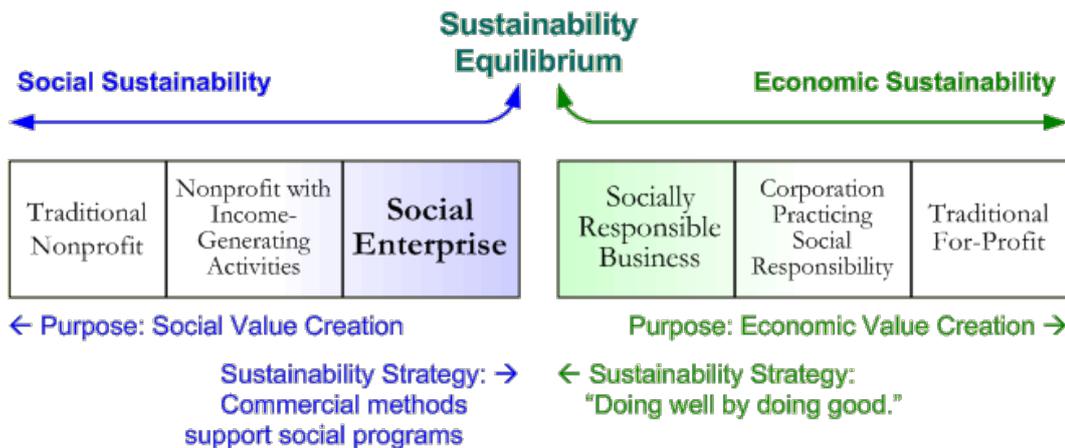


Figure 7.4 – Sustainability equilibrium (Alter, 2007)

The research is also bounded by a conceptual framework (refer Figure 7.2, p. 202) informed by extant literature and by research questions that explore the substantive field of investigation under the central elements defined above. Another dimension to progressing research in the SE field and advancing the theory is to research specific topics. A workshop at the 2013 Academy of Management conference explored the impediments to the theoretical advancement of social entrepreneurship. One of the topics for research topics suggested by Ehrenhard (as cited by Mueller et al., 2015) is the performance aspects of SEs. The theory of performance for financial

sustainability of MSMSE NPOs generated under the above small-tent definitional framework has specifically explored performance aspects of SE.

A further contribution has been made by this research in using GTM in relation to rigorous method and methodology. Research method design factors, design choices and decisions, and the key factors in the research method design for this project, specifically concept definition, unit of analysis, geography and access, cost and time, prior experience and local networks, as well as sampling and sample size, software for analysis and transcription, validity and quality criteria have all been discussed in *Chapter 3 – Research Paradigm and Method*. *Chapter 4 – Research Methodology* has discussed and addressed the adaptation of GTM as a research methodology in the context of management research. As suggested by Jones and Noble (2007, p. 100), the integrity of the GTM methodology is adhered to in this research by clearly articulating the adaptation of Strauss and Corbin's (1998) GTM, generating a core category and subcategories through theoretical sensitivity and constant comparison, and employing the major foundational procedures in data, collection, data analysis and theory generation. At each step, the adaptation of GTM for the specific research topic and focus, as discussed above, has been elaborated in detail.

7.4.3 Economic theories and assumptions of NPOs, including financial sustainability – extending current research

The theoretical gap in the literature identified in Chapter 2 relates to the different origins of the SE sector in different geographies and the origins of current theory which derives from the commercial for-profit sector. This research has expanded the conceptual understanding of the phenomenon of SE as discussed in the literature in the context of traditional economic theories of nonprofit organisations. The economic theories discussed in Chapter 2, section 2.4, focus on the emergence of funding diversification in the nonprofit sector including the SE business model as one strategy, as well as some of the tensions that commercially oriented activity creates with the traditional role of nonprofits. However, sustainability in general and financial sustainability in particular are not discussed as the central problem for which a solution must be found. This research positions financial sustainability as the dependent variable. It explores the economics of running an MSMSE, taking into account all resources required, scaling and developing the SE model to maturity, and the external, operational, and social contextual factors that influence performance and financial sustainability as a consequence. It frames the challenge of financial sustainability as a problem to be solved and proposes a solution in the form of a management action theory.

7.4.4 Empirical extensions to extant literature

The empirical gap in the literature identified in Chapter 2, has two aspects: research on or about developing countries in relation to the non-profit sector; and SE as a disciplinary field of study within developing countries. This grounded research demonstrates through an analysis of the sample South Asian organisations in the context of the macro-institutional environment for non-profits (Kerlin, 2017), and their stage of development as SEs, that SEs in South Asia face context specific challenges which shape not only the model of SE that is emerging (Kerlin, 2013) but also the strategies which they need to adopt for financial sustainability. In relation to the model of SE the research confirms Kerlin's MISE approach (2013, 2017) and makes the case for undertaking further empirical testing against the South Asian context to potentially extend the range of models already identified. In relation to the strategies for financial sustainability, it is the bottom-up, micro-institutional processes (Chilufya & Kerlin, 2017) that the social entrepreneur engages in within a local context that largely determine the strategy. This research confirms this argument through a grounded analysis of these processes in the sample organisations resulting in a performance base theory of financial sustainability. Further it operationalises the theory for practitioners in this specific context and in doing so adds to the literature on practical strategies for SEs in general and for those in South Asia specifically (see for example Weerawardena et al., 2010). Finally, the research establishes a new theoretical position from which to develop SE as a disciplinary field of study within developing countries.

7.5 Limitations

The findings and theory presented in this thesis are limited by the sample size of eleven organisations with the majority (nine) located in India and the single interviewee perspective within each organisation. However, just as importantly the eleven organisations do represent an appropriate spread across the dimensions of size and phase of SE development. A wider sampling and/or additional perspectives from different functional roles within each organisation would provide further insight into key themes, both a priori and emergent. In addition, the beneficiaries of the social mission of the sampled organisations would also provide a demand-side perspective, in particular in relation to performance and context specific factors. Notwithstanding these limitations, the objectives of the research have been achieved. Further research may explore other themes and dimensions of financial sustainability.

7.6 Future research

The substantive theory of performance for financial sustainability developed through this research provides a fertile field for future research. These projects could be undertaken by both

practitioners in the nonprofit sector who have adapted SE business models to financially sustaining the social capital building projects of their organisations (including the organisations that participated in this research) and/or scholars and PhD students who are enthusiastic about SE research. Such future research could explore in depth the impact of the contextual sub-categories, such as technology, on financial sustainability.

Recommendations for future research on micro, small and medium-sized NPOs which have adapted an SE model for financially sustaining their social capital building projects based on the findings of this study and the theory of performance for financial sustainability are twofold: first, in relation to practitioner application of this substantive grounded management action theory of financial sustainability in the Asia South region and other similar geographies; and second, in relation to future scholarly research on the detailed impact of the contextual categories, as identified in the analysis, on financial sustainability.

7.6.1 Practitioner application

This research will be useful for practitioners to apply to their own organisations in the following ways. First, it is substantive theory developed in and for a particular context (Glaser & Strauss, 1967, pp. 237-250), that is, MSMSEs in the South Asian context. Second, it will be understandable by laypeople working in the relevant field. A grounded theory that is in alignment with the realities of the area investigated and that resonates with those who are active in it will lead to them welcoming the opportunity to apply the theory, as it focuses their attention on the challenges and shows a pathway to meeting them. “If they wish to apply the theory themselves, they must perceive how it can be readily mastered and used” (Glaser & Strauss, 1967, p. 240). This has been further enabled through the practitioner’s guide to operationalising the theory. Third, it is general enough to apply to many situations in the area. The conceptual categories of the substantive theory are not abstracted to a degree that desensitises those who are contemplating use of the theory. The objective is to enable those who wish to apply the theory to adjust it to the realities of their own situations and contexts (Glaser & Strauss, 1967, pp. 242-244). Finally, it allows the user some control over the theory as daily circumstances change over time, as is inevitable. However, the theory also enables those who wish to apply it to comprehend and analyse these changes, and to control the consequences of both the particular change and the overall environment that will be affected (see the feedback loop phase in the substantive theory of this research, as illustrated in Figure 7.1, p. 201). It does this by providing a sufficiently granular hierarchy of concepts and their

relationships such that the practitioner is able to identify specific levers of control (Glaser & Strauss, 1967, p. 245).

To situate the practical application of this grounded management action theory of performance for financial sustainability, a review of participants' perspectives on performance measurement contextualises the operating environment in which the theory can be applied. This environment is characterised by attributes such as:

- a lack of time and resources to focus on sustainability: CCD suggests that most NPOs focus on social need, rather than resources or models for scalability and sustainability.
- pressure to comply with donor priorities: CMS argues that the conflict between mission and goals on the one hand and donor priorities on the other creates a risk for the mission and its goals, as well as funding
- difficulty in applying rigorous financial management practices and knowing where and how funds are being utilised: Prokritee points out that this is not just a question of managing costs, but also of competitiveness in understanding your product cost base and pricing so as to be sustainable in the chosen market
- the importance of demonstrating the achievement of mission as an indicator of the proper use of funds: Prowess considers this to be a measure of social success or social value creation, while Vidya Poshak similarly stresses the importance of demonstrating change in society over time.

These participant perspectives reveal that, in these organisations, performance is dictated by funders, boards of directors and requirements of the beneficiaries of the social capital building projects. The approach to performance is based on tactical approaches on how to sustain the organisation, and not on a strategic approach which evaluates all the contextual factors affecting performance.⁵³ The effectiveness of strategy is linked to ongoing assessment of organisational performance in achieving its strategic goals and objectives, and ensuring the sustainability of the organisation. This requires a shift from a focus on measurement to an emphasis on a *process* of performance management which closely links strategic management and performance management processes, where the strategy defines and reinforces the overall performance, which in turn informs the strategy.

⁵³ The importance of sound financial management is highlighted in the 2015 deregistration of 9000 NGOs as reported in the *Non-Profit Quarterly*, May 2015 (Godfrey, 2015).

As an avenue for future research, it is recommended that the practical application of this substantive theory of performance for financial sustainability be tested within the participant organisations of this study, with twin objectives: first, to establish that the theory meets the criteria of good practical grounded theory; and, second, to establish that application of the theory in the subject organisations will contribute to the sustainable transition of these organisations from the start-up phase → to the development phase → to the growth phase → through to maturity (Burkett, 2010). Further, as the substantive management action theory is based on management cognition of the contextual environments that influence performance, it is imperative that the application of the theory is supported actively by the management team or as internal action research.

One final recommendation relates to geographical application. This study is confined to organisations in two South Indian states (Karnataka and Tamil Nadu), one from Bangladesh and one from Sri Lanka. The theory could be applied to other similar-sized organisations in the SARCC region, which has witnessed phenomenal growth in the nonprofit sector over the last two decades. In India, “The number of [nonprofits] formed after 1990 has increased manifold, and the pattern of increase over the years is almost the same in all the States. There were only 144,000 societies registered till the year 1970, followed by 179,000 registrations in the period 1971 to 1980, 552,000 registrations in the period 1981 to 1990, 1,122,000 registrations in the period 1991 to 2000, and as many as 1,135,000 societies registered after 2000 (Government of India, 2009)” (Casey, 2016, p. 190). The heterogeneity and diversity of the organisations offer fertile ground for the application of this substantive theory of performance for financial sustainability.

7.6.2 Future scholarly research

Two recent publications on nonprofit performance – *Third Sector Performance: Management and Finance in Not-for-profit Social Enterprises* (Manville & Greatbanke, 2013) and *Performance Management in Nonprofit Organizations: Global Perspectives* (Hoque & Parker, 2015) – include contributions by several scholars studying performance management from multiple perspectives. Two contributions in these publications are particularly relevant to future scholarly research that might emanate from this research.

First, Parenson (2013) links performance management to wider social impact measurements. The author observes that outputs and outcomes are the focus of performance management and that “social impact measurement goes beyond that and estimates if the organisation is achieving its long term public goals (for example improved public health, a higher employment rate).

Assessing impact means that trends in society are also part of the assessment” (Parensen, 2013, p. 81). A comment from CMS, included earlier (in section 5.2.5) on social impact measurements, highlights this point, making a distinction based on time horizons between outputs, outcomes and impact:

In fact, only yesterday ... I was asking them, you know, what is this impact we are talking about? Well impact is a long-term gain, right? So if you do a one-year program, two-year program, and if you still want the impact to be, then it is still in a stage you can't expect impact to happen so early, right? ... we transfer them into three categories: output, outcomes and impact ... Outcomes is what has changed in the life of your customers. Impact is long term, impact is when the whole community or the whole society. It will come not just because of us, it will because it is the effort of everybody, how everybody is contributing towards the goal. So in my opinion, people like us should not go to measure impact, we should go to measure the outcomes, you know ... we have measured because most donors want us to measure it. And though they use the word 'impact' and they know that becomes a [0:40:08.9] problematic but we do baseline, we understand when we are at the beginning of our work what is the situation. CMS

For Vidhya Poshak, as an organisation it is very focused on measuring impact, not just outcomes:

Have we changed the society? No, it's a long way to go. But are we changing it? Yes, quite certainly yes because, like I said, last year we have helped about twenty-five girl students get gainful employment and not get married immediately, because if they had been married immediately then their most likely objective in life would have been to produce as many kids as the husband's family decides and be subservient members of the family. Whereas today they are independent members of the society. So is that a sizeable impact? That's a question. That's a question. I don't have an answer for that. Every child that I see, every girl that I meet and I speak to them and I see that glow on their face, I think I have made my impact. VPO

Observations from other participants in this research demonstrate the variances in linking performance measurement and management with social impact measurement. It is recommended that a research study similar to the study of social impact measurement among SMEs in NSW and Queensland by Barraket and Yousefpour (2013) within the South Asian context of this research would contribute to the gap in the SE literature discussed in Chapter 2.

A second recommendation derives from Tucker's (2015) analysis of the conceptualisation of performance in the nonprofit sector where he contrasts opposing views. Two theories of performance are analysed: the contingency theory of organisational performance, which emphasises the organisational structure, governance, financial legal status, unique culture, goals and social values of the nonprofit sector; and the "new institutional sociology (NIS), which predicts that it is likely for NFPs [not-for-profit] to exhibit a high propensity to adopt for-profit approaches to conceptualising organisational performance as a direct response to isomorphic pressures" (Tucker, 2015, p. 314). Tucker posits that these two views on conceptualising performance need not be considered opposites. The institutional theory is a pathway to the recognition of legitimacy by external stakeholders, while the contingency theory directs "the way in which performance may be adapted or augmented to accommodate additional contextual factors that may be either exogenous or endogenous to the NFP" (Tucker, 2015, p. 320). It is recommended that a research study based on a hybrid of these two performance conceptualisations be evaluated for the South Asia region.

7.7 Conclusion

For a practitioner in the nonprofit and SE field, this project has been a rich and inspiring experience, sharing and talking with fellow practitioners who, each in their own way, have dedicated their lives to the mission of their organisations.

As one participant said: "If we don't do it, who will help them?" (PROW). The opportunity to see their work in action added a further dimension and meaning to the interviews. As an academic researcher, I have also found the journey to be a revelation in terms of the research that has already been done in the field, and the value of GTM as a rigorous yet adaptable method for developing theory and making a contribution to the field. As with most such projects, it is even so only a starting point for further research, in this case both practical and applied, as well as theoretical.

Bibliography

ABS – See Australian Bureau of Statistics

ADB – See Asian Development Bank

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Appendix A – Research Instruments

Initial survey questions

Sample survey questionnaire: to obtain background information from nonprofit and social enterprise organisations

1. What is the official name of your organisation?
2. Is your organisation a legally registered organisation?
3. What is the name of the government organisation with which your organisation is registered?
4. Name the following executives in your organisation (if applicable):
 - president/owner philanthropist
 - treasurer
 - general secretary
 - executive director
 - any other
5. What is the operational structure of your organisation?
 - a. NGO
 - b. hybrid NGO–social enterprise
 - c. other form
6. What year was the organisation established?
7. Who (group or individual) started the organisation?
8. What is the overall mission/objective of the organisation?
9. Number of employees in the organisation?
 - a. paid salary
less than 10, 10–100, 101–500, over 500
 - b. volunteers
between 0–10, 11–100, 101–500, over 500
10. In which parts of the country does your organisation operate?
11. Please provide preferred address/email/telephone contact information.
12. How is the organisation funded?
 - a. self-funded
 - b. government
 - c. overseas funding
 - d. corporate/philanthropy
 - e. other
13. In what sector does your organisation operate?
 - a. education
 - b. agriculture
 - c. health
 - d. micro-finance
 - e. ICT
 - f. other
14. How much is your operating budget (in local currency)?
 - a) between 0–100,000
 - b) between 100,001–1,000,000
 - c) more than 1,000,000

15. If required do you consent to participate in a face-to-face interview (1–2 hrs) on a date/time and location of your choice?
 Yes (If yes, please answer next question)
 No (Thank you for your time)
16. Please nominate the executives/members of your organisation whom I can interview (up to 1 hr) in a face-to-face meeting at a mutually agreed location, date and time.
- name and title
 - preferred location, date and time for meeting

Sample semi-structured interview questions for theoretical sampling

Themes	Questions
Organisational information	<p><i>Personal Information of interviewee – with consent</i></p> <ul style="list-style-type: none"> • Name and title of interviewee? • Nationality, age, community, religion, educational and professional qualifications, experience, technology savvy? • How long in current position? • No. of years in the nonprofit sector, previous positions? • Volunteer/employee/venture capitalist/other? • Job description? • No. of work hours? • Management style? • Personal goals or vision in relation to the organisation? • Future career aspirations/plans? • Founders, entrepreneurs, venture capitalists/sponsors? • Any other key officials that are key providers of information?
	<p><i>Profile of parent NPO organisation (if applicable)</i></p> <ul style="list-style-type: none"> • What is the legal/other name of organisation? • What type of organisation (company, private ...?) • Historical background of the organisation? • Is there an individual/group/philanthropist/ corporation etc. who is the founder/driving force of the organisation? • What are your sources of income (donations, philanthropy, CSR, government, international agencies, bank loans ...)? • Is the organisation financially sustainable? • What is the vision/mission of the organisation and what are the products, services and programs of the mission portfolio? • Legal authorisation entity (government/non-government/international)? • Location of head/branch offices? • Location and demographics of target groups? • When did operations/business commence, date? • How many years of operation? • Vision/mission of organisation? • Organisational structure? • What is the governance model? • What are the financial/statutory/tax reporting/accountability structures?

	<ul style="list-style-type: none"> • What are the principal financial resources (philanthropy, donations, government and non-government grants, aid agencies, fundraising event, venture capital, bank loans etc.)? • What are the principal cost structures (program, salaries, real estate, technology, operations etc.)? • Any other NPOs operating in the same segment (competition/collaboration/co-petition)? • How many members/volunteers (active), employees? • Does the organisation have current website, social media? • What is role of the website/social media in the business and operational strategy (information, communication ...)? • Use of ICT in business strategy, communication, marketing ...? • Reporting; financial, statutory, tax ...? • Alliances, partnerships, financial sponsors, aid ... government, non-government?
<p>Social enterprise</p>	<p><i>Profile of SE</i></p> <ul style="list-style-type: none"> • What is the legal/other name of SE organisation? • What type of organisation (company, private ...)? • Historical background of the organisation? • Is there an individual/group/philanthropist/corporation etc. who is the founder/driving force of the organisation? • What is the vision/mission of the organisation and what are the products, services and programs of the mission portfolio? • Legal authorisation entity (government/non-government/international)? • Location of head/branch offices? • Location and demographics of target groups? • When did operations/business commence, date? • How many years of operation? • Vision/mission of organisation? • Organisational structure? • What is the governance model? • What are the financial/statutory/tax reporting/accountability structures? • What are the principal financial resources (philanthropy, donations, government and non-government grants, aid agencies, fundraising event, venture capital, bank loans etc.)? • What are the principal cost structures (program, salaries, real estate, technology, operations etc.)? • Any other SEs operating in the same segment (competition/collaboration/co-petition)? • How many members/volunteers (active), employees? • Does the organisation have current website, social media? • What is role of the website/social media in the business and operational strategy (information, communication ...)? • Use of ICT in business strategy, communication, marketing ...? • Reporting; financial, statutory, tax ...? • Alliances, partnerships, financial sponsors, aid ... government, non-government?

<p>Context and environment for markets and risk</p>	<ul style="list-style-type: none"> • Can you briefly articulate the socio, political, economic, cultural, legal environment in the country/state/province/suburb/village in which the organisations are located? • How do each of the above directly impact your SE organisation? • At the macro-level how do some of the above directly impact the SE organisation in business strategy from positive and risk perspectives? • What are the key policies and legal structures that have a direct bearing on your business operations? • Who are the policymakers/enforcement agencies that are relevant to your SE organisation (ministries, departments ...)? • Who and how will you describe your relationships with key policy/administrative agencies you interact with on a regular basis? • Have you an indication of how these agencies perceive your SE organisation? • Do you take a proactive approach to cultivate these relationships and how? • Can you suggest some key recommendations that policymakers and their agencies can make to make your SE (and others) more effective? • Have you made any such recommendations? • How will you describe the ICT level of the country/region (skills, broadband, mobile, social media ...)? • Can you briefly articulate the socio, cultural and economic demographics of the environment of the locality in which the SE operates? • What were the critical factors that influenced the decision to locate the SE in the location (market, skills, infrastructure, technology, social ...)? • What are the risks associated with the location (competition etc.)? • Is your parent NPO and associated SE in the same/different location and what were the reasons? • Can you describe the relationship with the community in which the SE operates both from the supply/demand side and how your organisation is perceived by the community? • Are there other SEs operating in the locality which directly impact your SE? • Describe the ICT facilities that are available in the locality? • Since establishing the SE in the locality, have the organisational goals been achieved and what were the key contributing factors? • If not, what contextual factors contributed to this and is this a risk to the sustainability of the organisation and the parent NPO? • How do you plan to address these?
<p>Defining the scope of social entrepreneurship in terms of business strategy, business models and organisational structures, risk</p>	<p><i>Strategy planning for transformation to SE (pre-startup)</i></p> <ul style="list-style-type: none"> • What were the critical factors that influenced the decision to adapt a market-based SE model (opportunity recognition)? • Was financial sustainability the most critical factor or one of the other factors? • Is the financial sustainability strategy to be financially independent or complement other financial resources? • Can you expand on these factors and why they were considered critical to the parent NPO’s sustainability and continue? Are these factors still critical to the sustainability of your organisation?

	<ul style="list-style-type: none"> • Was detailed analysis of all the available options (exit, privatisation, hybrid models of SE + NPO etc.) canvassed as part of the decision-making process? • Were the following considered as part of the overall transformation and financial sustainability strategy – financial resource strategy for start-up, market research, product research/resources, business strategy/models, organisational structures, relationship between parent NPO–SE, HR and technology resource strategies/entry level models and market projections, CSFs and double-bottom-line projections? • What was the decision-making process and who drove this process? • Was risk assessment part of the decision-making process? • What were the perceived critical risk factors? • Was there any modelling (formal/informal)? • Were risk mitigation strategies part of the decision-making process?
	<p><i>SE start-up phase</i></p> <ul style="list-style-type: none"> • Can you articulate in general the strategy for transforming from an NPO → an SE? • What were the strategies for the transformation (in terms of financial, operational, risk, governance, business model etc.)? • Broadly describe the start-up phase of the SE? • During the start-up phase, planning, business models, business strategies, business plans? • Market segment and marketing programs/plans? • Cost and pricing policies and structure for goods and services? • Donors, fundraising? • Competition and competitive strategy? • Sustainability strategies (financial ...)? • How are the social purpose and commercial goals of the SE managed?
	<p><i>Risk mitigation</i></p> <ul style="list-style-type: none"> • What are the perceived risk factors (capital, HR, management skills, reputation, morale, technology, political, cultural, competition, market and customer failure ...)? • What are the critical financial risk factors, and what bearing has other risk factors on the financials? • What are the general risk management strategies? • What are the financial risk management strategies (diversification, maintaining financial buffers ...)? • Are there regular risk review processes in place? • Is there insurance coverage and what does it cover? • Are there formal staff training and development programs/informal on-the-job training? • What is the current model (hybrid/combined/discreet ...)? • What were the key reasons for transforming from an NPO → an SE? • From a typology perspective how do you describe your NPO/SE? • What is the start date of the SE and how long has it been operating?
<p>Opportunity recognition, innovation and exploitation</p>	<ul style="list-style-type: none"> • Describe the current business opportunity/s that you are leveraging for financial sustainability? Is this opportunity meeting your financial sustainability goals? • How important was opportunity recognition in starting the new SE?

	<ul style="list-style-type: none"> • Who was the individual/group who identified the business opportunity? • How the opportunity was identified (gap in services/products; formal/informal search (internal process); creative ideas; external consultants? • Why was this approach preferred? What was the process (brainstorming, networks, collective/individual knowledge and experience ...)? • Strategic plans for opportunity screening/models/market and sustainability potential/life span of opportunity consonant with mission/vision ...? • Did you have any failures in your social enterprise ventures? What was the effect on your operations and how did you respond? • What were the critical factors that contributed to the failures, and what were the lessons learnt? • Is opportunity recognition innovation and exploitation a continuing strategy or used tactically as a response to changing economic/business environments? • R & D?
<p>Role of technology in creating social value</p>	<ul style="list-style-type: none"> • Is the SE bricks and mortar/e-business/combo? • What part does technology (ICT, other ...) play in your SE business strategy (computer, tablets, mobile phones ...)? Describe in terms of each of these technologies and the SE business strategy and operations? • Are the products and services of the SE dependent on the technology strategy and infrastructure? • Describe your SE technology infrastructure/strategy in terms of installed platforms/support/upgrades/financial support/expansion/integration with the business strategy? • What is the value proposition to customers who use the SE products/services? • Are there any overlaps between the parent NP and SE in products and services? • Has the SE undertaken any customer satisfaction surveys? If yes, discuss? • Are there any partnerships/sponsors/alliances with technology companies and what is the nature of the partnerships?
<p>Performance and effectiveness in diffusion of social innovation in social venture formation</p>	<ul style="list-style-type: none"> • Overall has your organisation achieved its performance goals? • Is accountability (both external and internal) fundamental to the organisation's governance framework? • Is there a clear organisation-wide accountability framework? And is the framework supported by a responsive information system, particularly decision-making? • What metrics does your organisation use to measure outcomes or social impact (internal and external) (leading and leading performance indicators)? • Are these metrics home grown or based on any particular industry accepted standards? (Balanced Score Card, Six sigma etc.)? • As a small to medium-sized NPO, is innovation critical to your sustainability?

	<ul style="list-style-type: none">• What role does SE innovation/social innovation play in achieving performance goals/sustainability (finance, competition, HR etc.) of your organisation?• Can you identify any particular innovation that contributed to the sustainability of your organisation (in particular financial sustainability)?• Does your organisation encourage and foster innovation at all levels (management, employees, volunteers ...)?• Are there any specific measures to encourage innovation?• Does your organisation have an innovation process model (idea → pilot/prototype, evaluation, risk assessment, implementation ...)?• What techniques or processes are there for diffusion of an innovation across the organisation, given the different demographics of your stakeholders, different user groups ...?• Can you cite the critical success factors that contributed to successful diffusion of one of the key innovations of your organisation?
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Appendix B – Ethics Approval

From: Keith Wilkins
Sent: Friday, 1 November 2013 5:42 PM
To: Michael Liffman; tony.kandaiya@bigpond.com
Cc: RES Ethics; Elizabeth Branigan; Anne Cain
Subject: SUHREC Project 2013/240 Ethics clearance

To: Dr Michael Liffman/Mr Mahesan A Kandaiya, FBE

Dear Michael and Tony

SUHREC Project 2013/240 Social enterprise and sustainability in the nonprofit sector: A theoretically grounded approach

Dr Michael Liffman, FBE; Mr Mahesan Anthony Kandaiya et al.
Approved duration: 01/11/2013 to 01/11/2015 [adjusted]

I refer to the ethical review of the above project protocol by Swinburne's Human Research Ethics Committee (SUHREC). Your responses to the review, as emailed on 29 October 2013 with attachment including with regard to meeting any overseas research requirements, were put to the Committee delegate for consideration and positive feedback sent to you. I also acknowledge receipt of your further response on 30 October 2013 with regard to Swinburne-approved email communication for the research.

I am pleased to advise that ethics clearance has been given for the above project to proceed in line with standard on-going ethics clearance conditions outlined below.

- All human research activity undertaken under Swinburne auspices must conform to Swinburne and external regulatory standards, including the *National Statement on Ethical Conduct in Human Research* and with respect to secure data use, retention and disposal.
- The named Swinburne chief investigator/supervisor remains responsible for any personnel appointed to or associated with the project being made aware of ethics clearance conditions, including research and consent procedures or instruments approved. Any change in chief investigator/supervisor requires timely notification and SUHREC endorsement.
- The above project has been approved as submitted for ethical review by or on behalf of SUHREC. Amendments to approved procedures or instruments ordinarily require prior ethical appraisal/ clearance. SUHREC must be notified immediately or as soon as possible thereafter of (a) any serious or unexpected adverse effects on participants and any redress measures; (b) proposed changes in protocols; and (c) unforeseen events which might affect continued ethical acceptability of the project.

Appendix B – Ethics Approval

- At a minimum, an annual report on the progress of the project is required as well as at the conclusion (or abandonment) of the project.
- A duly authorised external or internal audit of the project may be undertaken at any time.

Please contact the Research Ethics Office if you have any queries about on-going ethics clearance, citing the SUHREC project number. Please retain a copy of this email as part of project record-keeping.

Best wishes for the project.

Yours sincerely

Keith

Keith Wilkins
Secretary, SUHREC & Research Ethics Officer
Swinburne Research (H68)
Swinburne University of Technology
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From: RES Ethics <resethics@swin.edu.au>
Date: 11 December 2015 at 3:42:51 PM AEDT
To: Michael Liffman <mliffman@swin.edu.au>, Mahesan Kandaiya <mkandaiya@swin.edu.au>
Cc: RES Ethics <resethics@swin.edu.au>
Subject: **SUHREC Project 2013/240 Ethics clearance for modifications/extensions (1)**

To: Dr Michael Liffman/Mr Mahesan A Kandaiya, FBE

Dear Michael and Tony

SUHREC Project 2013/240 Social enterprise and sustainability in the nonprofit sector: A theoretically grounded approach

Dr Michael Liffman, FBE; Mr Mahesan Anthony Kandaiya et al.
Approved duration extended to 1/11/2015.
Modifications/extensions: December 2015.

I refer to your progress report for the above project, as emailed on 8 December 2015, which included a request to extend ethics clearance to allow for further participant interviews if need be.

There being no change to the approved protocol as submitted to date, I am authorised to issue the clearance for the extension to 1 November 2016. The standard ethics clearance conditions previously communicated and reprinted below still apply. (Information on project self-auditing, reporting and modifications/additions can now be found on the [Research Intranet](#).)

Please contact the Research Ethics Office if you have any queries about on-going ethics clearance, citing the Swinburne project number. A copy of this email should be retained as part of project record-keeping.

As before, best wishes for the project.

Yours sincerely,

Keith

Keith Wilkins
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