SOCIAL VALUE CREATION IN THE IMPACT OF SOCIAL ENTREPRENEURSHIP

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ABSTRACT

The laboratory for this research is seven non-profit social ventures. The topic of enquiry is: how can we better understand the way in which social value is created? Based on research into Boards, Volunteers and low-paid support staff, and the visionary Social Entrepreneurs themselves, seven CEOs were respondents to E(Entrepreneurship)-Indicators which amplify constructs from entrepreneurship theory. A cross-venture analysis showed that while social entrepreneurs share aspects of major factors with regular for-profit entrepreneurs, they are also unique in how they perceive human need, express spirituality, and their non-regard for good luck.

INTRODUCTION

A major barrier to valuing the contribution of non-profit ventures has been the absence of a concept of social capital value. This research sees social value creation as a core determinant to gauging the value of social outcomes. The impact from a collective way of doing good in the society needs an agreed-to scale of valuing.

Prior to introducing an acceptable concept for social value into the language and epistemology of social entrepreneurship, it seemed necessary to explore what is known and what are givens amongst the leaders and facilitators of social entrepreneurship. Accordingly, Social Entrepreneurs are seen as a subset of Entrepreneurship. They are people with drive to bring about change in the Society—constructive change, resulting in social capital.

A Broad View of the Not-for-Profit Sector:

At the macro level the field of non-profit ventures is as broad as it is wide. It includes charitable organizations which raise donations but receive substantial amounts of finance from government. These are service delivery, welfare organizations which extend the welfare arm of governments per se. More recently, it has been recognized that micro industries or enterprises can bolster in-house service delivery, and these assist in bringing income into the funding base of the welfare community they service. This set-up has a ‘demand’ side orientation.

Parallel to welfare at home are the aid organizations overseas which both seek public support in the home country and who receive a share of GDP. These non-government aid agencies attract people who volunteer their lives in service to the aims of the organizations they have joined.
Still on a broad front are those organizations which seek to build social capital within communities, but as activists. These are often the quite obvious protest movements or rallies which, from the time of Greenpeace, have emerged when an international forum or summit is occurring. Today, they align and adhere and cohere through a very active internet involvement. Other groups in this category are advocates for worthy causes. Although activists support a cause which is often worthy, their actions are highly politicized and political. Activism also responds to a ‘demand’ side orientation.

On the ‘supply’ side there are multi-faith expressions of meeting individual need. Of the three monotheistic worldviews (be they Jewish, Islamic or Christian), a multitude of expressions of values and faith permeate the community through volunteers, low-paid staff, and member-donors. There are also sporting and special interest groups in communities which are serviced mainly through memberships of specific groups.

The other sector on the ‘supply’ side is the spin-offs of mission-minded visionaries who create something of value where nothing previously existed. These are the Social Entrepreneurs. Amongst the not-for-profits, philanthropy assists some to service a vision; others use the marketing techniques of branding, or seek to touch the hip-pocket nerve by marketing a person/entertainment personality, or their cause. But this research specifically addresses its questions to the group of Social Entrepreneurs who create social value virtually out of nothing. While the outcome from innovation is the ‘pulling through’ of a product to achieve added value, with or without a dollar value attached, and growth the constant catch-cry; the not-profit sector relies on goodwill. The sector this research calls social entrepreneurship is transformational, and seeks for its outcomes – changed lives. The alchemy of conviction, energy, drive and wisdom/intuition is transformed into improved quality of life. It is impossible to place a dollar value on that but it is something which a community or society needs to value. Such value may be a benefit which is retained, an improvement in circumstances, the easing of mental/emotional or spiritual pain, or empowerment of those who are disempowered (as distinct from advocacy).

What is unique about these expansive human beings – Social Entrepreneurs – is that they share similar qualities with regular ‘for-profit’ Entrepreneurs. What are these characteristics? What characteristics do Entrepreneurs and Social Entrepreneurs share? What values distinctions do Social Entrepreneurs make? How do they create something out of nothing?

A search of the Entrepreneurship literature identified numerous factors—some researched, other factors under-researched. While being informed by all, this research was influenced by the work of Reynolds (2000), Heider (1958), Weiner (1985) and the seminal theoretical work of Minniti and Bygrave (1999), and is indebted to the work of Frumkin (2000) for mining a huge field, down into the ‘demand’ and ‘supply’ side sectors above.

METHODOLOGY AND RESULTS

An examination of extant literature brought to light key research questions thought necessary for this research to ask. From Bygrave, knowledge about being entrepreneurial, staying alert and coping with uncertainty was sought. Some gauge of the micro functions of latent talent, socio-economic circumstances and entrepreneurial environment were also thought desirable to probe. CEOs from nine social ventures were approached with the request that an across-venture set of questions be asked. Questions were designed to test a series of Indicators for (a) the Entrepreneur him/herself; (b) support persons in the form of volunteer assistants, low-paid staff or even a mentor; and (c) Board members. In this respect the research recognizes
that far from being independent ‘go-getters’ Social Entrepreneurs are team players—they, together with their vision, attract other people to them. In setting up this prospect for nine case studies it was decided to respect the anonymity of team members and allow each CEO to invite staff or board members to participate. This implied that the CEO became the active participant, a recipient of hand-delivered packages of covering letters, ethics agreements, E-Indicator, G(Group)-Indicators and B(Board)-Indicators. Ultimately the CEO was the person contacted about returning each person’s contribution in time. A non-intrusive e-mail or telephone relationship with the CEO from inception to recall date was maintained. Information gathered about the organization accrued during that time. In the final count, seven CEOs were able to gather information from their Boards in time and these form the basis of the data.

The aim in constructing each Indicator was to amplify key thoughts in theory. The intention was not to ‘assess’ individual entrepreneurs like making a diagnosis, but rather, to build a profile of characteristics thought to be essential. Borrowed from the Minniti and Bygrave (2001) context for profit-making, this research substituted the context of ‘meeting need’ to refine further which aspects of motivation respondents were in while approaching the warm-up question at the head of E-Indicator. From Heider (1958) come aspects of internal/external locus of causality, stability of opportunity versus variability, and a guestimate of requisite effort on the part of an entrepreneurial person. There is overlap here with Minetti & Bygrave (1999) who emphasized intentional action. Together, Heider (1958), Weiner (1985) and Minetti & Bygrave (1999) talk about difficulties of persistence in entrepreneurial activity, the kinds of activities undertaken, and whether the actor experiences success or failure. For this, Heider (1958) gave us the word ‘equifinity of outcome’ to label how entrepreneurs find ways to overcome obstacles. From Reynolds’ (2000) panel study of entrepreneurial dynamics for nascent entrepreneurs the theme of intentional action emerged also in the form of an essential triplet i.e. people differ in persistence, kinds of entrepreneurial activity they engage in and in how they perceive success or failure outcomes.

Aspects of risk, and superior alertness were raised in the E-Indicator, which also probes into whether the persistence entrepreneurs show is obsessive (as family members would testify) or whether it is manic activity preceding depression.

Accordingly, the key dimensions of the E-Indicator became:

- Motivation
- Intentional Action
- Persistent/Obsessive/Depressed
- Microfoundations
- Risk
- Network Orientation
- Alertness to Opportunities

In attempting to gauge motivation, four options were offered for respondents to circle whichever applied (Table 1).
Table 1 E-Indicator: Motivation Dimension

<table>
<thead>
<tr>
<th>Key Dimension</th>
<th>Respondent Options</th>
</tr>
</thead>
<tbody>
<tr>
<td>Motivation</td>
<td>A conviction of heart</td>
</tr>
<tr>
<td></td>
<td>A vision</td>
</tr>
<tr>
<td></td>
<td>A compulsion to respond</td>
</tr>
<tr>
<td></td>
<td>An intuitive response</td>
</tr>
</tbody>
</table>

Assertions made around the other key dimensions and which required True/False answers are listed in Table 2.

While the across-venture case studies have gathered data from E, G and B-Indicators, only results from the E-Indicator are pertinent to the analysis reported on in this paper. The software program N-Vivo has been utilized to code and draw out relationships between individual cases of entrepreneurs and their combined responses.

**Figure 1 KEY INDICATORS**
Clustering of Questions from E- (entrepreneurship) Indicator
ANALYSIS

The following table highlights key factors already identified (in bold type) and indicates the questions asked of CEOs. Where this demonstrates 100% it indicates unanimous agreement amongst respondents. Other information under ‘comment’ helps to gain a perspective about Social Entrepeneurs.
Table 2 E-Indicator: Responses to Key Dimensions

<table>
<thead>
<tr>
<th>Key Dimension</th>
<th>Indicator Response</th>
<th>Respondents by %</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Intentional Action</strong></td>
<td>I draw on latent ability to perform a task</td>
<td>100</td>
</tr>
<tr>
<td></td>
<td>If the task is too difficult, I know so</td>
<td>70</td>
</tr>
<tr>
<td></td>
<td>I do not give up if the task is too difficult</td>
<td>100</td>
</tr>
<tr>
<td></td>
<td>I do not give up even if not too difficult but requires effort</td>
<td>100</td>
</tr>
<tr>
<td></td>
<td>I, personally, feel responsible to make things better</td>
<td>100</td>
</tr>
<tr>
<td></td>
<td>I persevere because I like ‘to break through’</td>
<td>86</td>
</tr>
<tr>
<td><strong>Persistent/Obsessive/Depressed</strong></td>
<td>I can persist………………………for years for months for a week</td>
<td>4 respondents, two, one.</td>
</tr>
<tr>
<td></td>
<td>I practice ‘follow-through’ ……………</td>
<td>One at 100%, One at 90%, Two at 80%, Two at 70%.</td>
</tr>
<tr>
<td></td>
<td>In the social field I feel personally responsible to make things better</td>
<td>86%</td>
</tr>
<tr>
<td><strong>Risk</strong></td>
<td>Bearing in mind 3 respondents were in a formal structure, four did not have venture costs covered at commencement. The means for me to live are not assured, even though I contribute to others with time and expertise</td>
<td>100%</td>
</tr>
<tr>
<td></td>
<td>I have given a lot of thought to risk management</td>
<td>43%</td>
</tr>
<tr>
<td></td>
<td>I was prepared to roll up my sleeves and get my hands dirty</td>
<td>86%</td>
</tr>
<tr>
<td></td>
<td>I was prepared to get my hands dirty even if nobody else joined in support</td>
<td>71%</td>
</tr>
<tr>
<td><strong>Alertness to Opportunities</strong></td>
<td>I continue to be alert to opportunities which emerge</td>
<td>100%</td>
</tr>
<tr>
<td></td>
<td>I have my own way of mobilizing: Human resources Physical resources</td>
<td>86% 86% 71%</td>
</tr>
</tbody>
</table>

The Social Entrepreneur:

The respondents are very special people who add value, and create the social capital. The statement of one CEO is ‘The means for me to live are not assured, but I want to contribute to others with my time and expertise’ and is echoed by four others, another is a tentmaker—by which is meant that she is working part time to support herself and to resource the venture; and ploughing the rest of her time into the venture, anyway.

Seventy-one percent feel they have a duty to respond to human need, and 86% feel charged with acting entrepreneurially.

A majority respond to a cause with intent and action; but the person in this research who has difficulty knowing if a task is too difficult also responds by feeling compelled, and inspired.

Given two questions about relying on good luck or needing good luck for everything they do, 93% of the time respondents answered that they are not dependent upon good luck.
Respondents were divided on whether or not they fail as a person if the vision they are a part of has failed.

Each respondent believed that the venture they work in has broken down resistance to change in the community; and this has occurred where there was little or a modest level of entrepreneurship.

Eighty-six percent reported on expressing their spirituality in these ways.

For any reader who may think that Social Entrepreneurs are lacking in ambition: one wanted to become an archaeologist but trained in radiography; another trained as a psychologist and forewent private practice; two have completed the Master of Entrepreneurship and Innovation (MEI) degree; another is a highly qualified specialist nurse; one is a serial Social Entrepreneur, the other is the Managing Director of a street newspaper.

Extrapolating from the personal robustness section (Model 3) called Persistent/Obsessive/Depressed, a profile was built around Experience of depression, the withdrawal course it takes, whether depression is expressed in working harder, and the manner with which social entrepreneurs resume life; one respondent recorded no depression, another, gets depressed for a couple of weeks while 71% of respondents get depressed for a day. None of the CEOs get depressed and withdraw, but four out of seven work harder than normally. They all, mostly after a day, bounce back. Social Entrepreneurs are remarkable people!

**Microfoundations**

The aspect of microfoundations is highlighted in theory so this research included simple probes into this area. In simpler terms questions were asked about family of origin parameters.

From the six Social Entrepreneurs who responded affirmatively, there was no separation or divorce, they were from reasonably large families of four, five or six children, this lead the researcher to consider whether birth order is associated with being socially entrepreneurial. But responses varied from being oldest and firstborn through to youngest of five offspring. In psychoanalytic terms, these leaders following a vision could be called well-adjusted human beings.

**DISCUSSION**

While certain qualities are accented about Social Entrepreneurs (see above) which is breaking new ground, the data (Tables 1 & 2) analysed ‘about all Entrepreneurs’ is significant. Results have supported the key dimensions drawn from theory. Results have also elaborated on different aspects of the key factors which may not be covered so specifically at interviews—bearing in mind there is often a reluctance to disclose personal, financial or unconscious material. An example of this is that of Motivation in the E-Indicator (table 1). The four aspects of Motivation suggested were ‘A conviction of heart,’ ‘A vision,’ ‘A compulsion to respond’, and ‘An intuitive response’. These options were designed to assist the respondent to slip out of the conscious, logical mind into unconscious material for answering the
remainder (Table 2). Accordingly, there was no right or wrong answer to these. People were free to circle one, or all of the options presented.

In considering the question ‘Can the E-Indicator be useful in determining aspects of Entrepreneurship?’ The results shown in Table 2 support the approach to modeling of the seven key factors in the E-Indicator. Further statistical analysis is required to obtain loadings on the key factors.

As a case in point, depression which is not biochemical or hereditary is, in fact, a state of mind. The low level of significance amongst respondents may suggest that Entrepreneurship, per se, is a state of mind. Entrepreneurs’ optimism gets dented for a day (or up to two weeks), then they bounce back. The style of possibility thinking which entrepreneurs use is a deterrent to expending negative energy in depression.

Analysis of risk requires further examination with for-profit entrepreneurs, as social need may cloud a sensible appraisal of a task, somewhere between security and foolhardiness.

This researcher assumes that network orientation is a U.S. phenomenon; where increased entrepreneurial activity generates more entrepreneurial expression. In Australia, grassroots entrepreneurialism is not as prevalent. Support and philanthropic foundations in this country have raised community awareness, but a climate of entrepreneurial thinking still does not exist on the scale of the United States.

As a corollary to the foregoing where entrepreneurialism breeds entrepreneurialism, reliable loadings on Superior Alertness need to be developed in further research.

Further, how does use of the E-Indicator relate to social impact value? Firstly, E-Indicator can be used to screen leaders in social ventures who are responding to need, or following a good idea, may not be durable. Knowledge about the parameters of motivation, persistence, risk orientation (financial or otherwise) and superior alertness can then be used to inform about enriching the mix of qualities practitioners have. This, in turn, can optimize the energy which transforms into social value.

CONCLUSION

The additional information which this research has started to collate is that social entrepreneurs are of a class of people who are unique. If each were asked independently, they would each say that they are merely doing what anybody would do in the face of need. More research is necessary to build a baseline of endeavour which reflects this uniqueness.

The introduction spoke about similarities which social entrepreneurs share with regular for-profit entrepreneurs as shown in Tables 1 and 2.

It is asserted that the action social entrepreneurs engage in is intentional. They are extremely persistent, and certainly not depressive. They have had a good foundation in life. Risk is of low priority. A mountain of change is always before them, so they join for-profit entrepreneurial colleagues in staying alert to opportunities. Although presented in prose the accompanying description on social entrepreneurs pointed up certain values distinctions which these social entrepreneurs make. How they create something where there was
previously nothing is due to conviction, a vision, a felt need to respond, and an intuitive response.

This analysis forms a solid basis for believing that social entrepreneurs make the world a better place. Not making a profit becomes pure gold in this transformation.
REFERENCES


