

Shaping Social Enterprise

Understanding Institutional Context and Influence

For Annalise, Sarah, and Daniel

Shaping Social Enterprise

Understanding Institutional Context and
Influence

Edited by

Janelle A. Kerlin



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About the Authors

Jo Barraket is the Director of the Centre for Social Impact and Professor at Swinburne University of Technology in Australia. Her research interests include social enterprise, social innovation, and the role of the social economy in new public governance.

Rosemary Chilufya, originally from Zambia, is currently a doctoral student at the University of Huddersfield, United Kingdom, and a Special Research Fellow at the Copperbelt University in Zambia. Her research interests center around human security, regional development, and social entrepreneurship.

Muhammet Emre Coskun is a doctoral candidate in the Department of Public Management and Policy at Georgia State University, USA. He conducts quantitative research on international NGOs and their poverty impact as well as on institutions and social enterprise.

Tracy Shicun Cui, originally from China, is currently a doctoral student in the Department of Public Management and Policy at Georgia State University, USA. Her research focuses on nonprofit finance and social enterprise in China.

Ramon Fisac-Garcia is Assistant Professor in the Business Administration Department at the Universidad Politecnica de Madrid in Spain. He conducts research on organizational analysis, performance improvement, and impact assessments of social enterprises.

Sebastian Gatica is Adjunct Assistant Professor and Director of The Social Innovation Lab in the School of Management at the Pontificia Universidad Católica de Chile. He was an Ashoka Fellow and advisor to the Chilean Fourth Sector Enterprise Commission.

Malin Gawell is Associated Professor at Södertörn University in Stockholm, Sweden. Her primary research interests are in social and societal entrepreneurship, social enterprise and civil society. Her research relates to individuals, organization as well as policy levels.

Bokgyo Jeong, originally from South Korea, received his PhD from the University of Pittsburgh and is currently an Assistant Professor at Kean University in New Jersey, USA. His research interests include nonprofit management, social enterprise/economy, international development, and collaboration between international organizations and NGOs.

Janelle A. Kerlin is Associate Professor in the Department of Public Management and Policy at Georgia State University, USA. Her research interests include comparative social enterprise, nonprofit commercial revenue, and international NGOs. She is an associate editor for the *Social Enterprise Journal*.

Mihaela Lambru, PhD, is Professor in the Faculty of Sociology and Social Work, University of Bucharest, Romania. Her research focuses on the development of the third sector, social enterprise, and worker cooperatives in Romania and Eastern and Central Europe.

Chris Mason, PhD, is Senior Research Fellow with the Centre for Social Impact at Swinburne University of Technology in Australia. His research interests include social enterprise, policy development, discourse, identity, and corporate social responsibility. He is an associate editor of the *Social Enterprise Journal*.

Thema Monroe-White is the Director of Research and Evaluation at VentureWell, Atlanta, USA, where she initiates and oversees research and evaluation in support of programs, grant proposals, and thought leadership initiatives. She holds a PhD in Science, Technology, and Innovation Policy from the Georgia Institute of Technology, USA.

Ana Moreno-Romero is Associate Professor in the Industrial Organization Department at the Universidad Politecnica de Madrid in Spain. Her research examines the organization of work, human resources, corporate social responsibility, and networked organizations.

Alex Nicholls is Professor of Social Entrepreneurship at the Said Business School, University of Oxford, United Kingdom. His research interests include a range of topics within social

entrepreneurship and social innovation. He is editor of the *Journal of Social Entrepreneurship*.

Claudia Petrescu, PhD, is a principal researcher in The Research Institute for Quality of Life at the Romanian Academy of Science, Romania. Her research examines community development, the social economy, the third sector, and social enterprise in Romania.

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The call brought in more papers than could be published in the special issue and thus the book includes both the five papers from the issue as well as papers on Romania by Lambru and Petrescu and Sweden by Malin Gawell who had also expressed interest. The book also contains two chapters led by PhD students with my assistance. I met Rosemary Chilufya from Zambia

at the International Social Innovation Research conference in the United Kingdom, where the papers from the special issue were presented. At about the same time, Tracy Shicun Cui from China came along as my research assistant and graduate student to delve into the subject in her home country.

Also newly published here is a paper in large part undertaken by Muhammet Emre Coskun that updates the work of Monroe-White. He is also my research assistant and a graduate student in my department. He has my gratitude for the many hours he devoted to setting up and running the multi-level regression analysis needed to capture elements not included in the first version. I am also grateful to Alex Nicholls who showed interest in the book project from the start and was gracious enough to provide the preface.

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Preface

Although the phenomenon is anything but new, scholarly enquiry into social entrepreneurship and social enterprise began in earnest in the early 2000s (Nicholls, 2006). From the beginning, the field was framed as an international, indeed global, set of activities addressing a wide range of social issues across many different contexts (Bornstein, 2004). Several important – international – support networks evolved during this period too aiming at building networks of social entrepreneurs, linking them to supportive institutions and resources, and celebrating their work. Ashoka, the Schwab Foundation for Social Entrepreneurship, and the Skoll Foundation all aimed to have a global reach focused, first, on developing countries and, subsequently, also embracing social entrepreneurship/enterprise in the rich, developed nations (see Nicholls, 2010). This important work was often organized regionally or via country-specific organizational structures. However, despite this, there has been relatively little work done on examining the contextual nuances and comparative institutions of social entrepreneurship/social enterprise within and across countries.

Partly, this has been a legacy of a fundamental assumption that was made early on in the evolution of the study of social entrepreneurship/social enterprise – namely, that the key, determining, variable of its impact, success and distinctiveness lay in it representing a new form of *entrepreneurship*. As a consequence, academic centers and initiatives designed to study, teach, and popularize social entrepreneurship/social enterprise emerged in *business schools* around the world – a setting thought to be best suited to research entrepreneurship. However, over time the assumption that entrepreneurship was the key differentiator of social entrepreneurship/social enterprise has been increasingly challenged and it is now as common to find scholars, practitioners, and policy-makers exploring the meanings and implications of the *social* in this emergent field. One aspect of this new line of research has been a greater focus on contexts, eco-systems, and institutions (Bloom & Chatterji, 2009).

But, what is meant by the *social* here? Of course, this is a slippery and potentially all-encompassing term that can disappear up its own ontology. However, research suggests that for social entrepreneurship/social enterprise, at least, the *social* refers to distinctive (intended) outcomes *and* processes developed to address intransigent or systemic failures in the provision of welfare goods and services and, in some cases, of basic economic development. This means that social entrepreneurship/social enterprise can best be understood as outcome and process innovation addressing social market failures (Mair, Marti & Ventresca, 2012).

The types of innovation developed by social entrepreneurs vary considerably from macro-level, disruptive examples (micro-finance, Fair Trade) that are, in fact, quite rare to more modest, meso- and micro-level, action that focuses on sector-specific issues (low cost solar energy, mobile ante-natal clinics, subsidized cataract surgeries). In the latter case, innovation is often a consequence of developing organizational hybridity – the blending together of logics, discourses, and practices from the third sector, government, and the commercial market – as strategic action. Such hybridity-as-strategy can allow new insights into key social problems that, in turn, can drive new solutions that are not open to the status quo of siloed, sectoral action (Battilana & Dorado, 2010). When hybridity focuses on addressing the effects of unjust or inequitable social relations, then such activity has become known as *social innovation* – a more systemic and structural set of actions that serves to frame, but only rarely represent, the more grass-roots work of most social entrepreneurs (Nicholls & Murdock, 2011; Nicholls & Ziegler, 2015).

So how can the *social* within social entrepreneurship/social enterprise be best understood and analyzed? As was noted above, it has been increasingly recognized that the *social* in this field is contingent and contextual – differing in its boundaries and defining features in different cultural, economic, and geographic settings. One important example of this can be seen in the development of a coordinated policy response – across governments – to develop the social impact investing market (see Nicholls, Emerson & Paton, 2015). Pioneered by the UK government in the 2000s, the value of a policy agenda for social impact investing across nations was established in July 2013 at a meeting hosted by the government in London during the G8 Summit chaired by the United Kingdom. One key outcome was the establishment of a Social Impact Investment Taskforce comprising the G8 countries minus Russia and with Australia included.

This Taskforce worked for a year on building a common set of policy objectives across its member states whilst always recognizing significant local differences in policy implementation. The Taskforce reported back on a raft of issues in 2014 and was considered sufficiently successful to be followed up with a larger Global Social Impact Investment Taskforce encompassing more of the G20 countries and others in 2015/2016.

In late 2016, the World Economic Forum published the results of survey data exploring the Top 10 best countries in which to develop and practice social entrepreneurship (WEF, 2016). This research provided an interesting example of *comparative* country analysis in this field. The data were extracted from a survey conducted by the Thomson Reuters Foundation in 45 of the world's biggest economies as ranked by the World Bank. Each of the country surveys contacted 20 experts focused on social entrepreneurship, including academics, social entrepreneurs, investors, policy-makers, and support network staff. In total, 880 experts were surveyed with 619 responses – of the respondents, 48 percent were women. The questions asked explored the funding, policy support, market development, and access to talent for social entrepreneurship/social enterprise in each country. The survey analysis concluded that the United States was the “best” country for social entrepreneurship followed by Canada and the United Kingdom. However, the research did not attempt to explain why country contexts differed nor how they could be changed better to suit the development of social entrepreneurship/social enterprise.

In the light of these praxis-focused examples, scholarly work on the comparative country contexts of social entrepreneurship/enterprise has been surprisingly limited to date. However, it is in the context of this considerable research gap that the work of Professor Kerlin fits. Kerlin pioneered comparative regional analysis of social enterprise when she edited her groundbreaking book *Social Enterprise: A Global Comparison* in 2009. This widely cited collection built upon an important body of research papers already published by Kerlin (2006) and quickly established itself as the first and most authoritative book on this subject. Central to the research was the development of a Macro-Institutional Social Enterprise (MISE) Framework that considered the roles of cultural, government, economic, and civil society factors – and their inter-relationships – as contextual drivers of diversity in the development of social enterprise in different countries and regions. The research applied the MISE Framework to

establish a series of country/regional models of social enterprise built upon distinctive articulations of the same, key, institutional factors. The collection considered eight contexts: Western Europe, East Central Europe, South East Asia, the United States, Zimbabwe and Zambia, Argentina and Japan.

The new book presented here builds upon the legacy of Kerlin's (2009) work to review and revise the MISE Framework and extend the country analysis to seven new territories: South Korea, China, Romania, Spain, Chile, Sweden, and Australia. In addition, the work on Zambia that was begun in the 2009 volume is revisited and revised here. This new research tests Kerlin's theoretically and empirically grounded framework systematically to look at how informal and formal macro-institutions and micro-level stakeholders together shape social enterprise country models. There is a greater emphasis here on culture as an informal institution than in the 2009 work. Moreover, the country models have been enhanced with two new types based on Asian country analysis. Overall, this new book acknowledges the role of micro-level actors more fully than before. As a consequence, this work represents a significant step forward in helping frame how to analyze and understand the evidenced empirical reality of the many divergent manifestations of social enterprise globally. This work has important implications for the future institutionalization of social entrepreneurship/social enterprise globally as it provides vital guidance to policy-makers, potential funders, and aspiring social entrepreneurs in terms of how best to address "wicked problems" in complex contexts. Professor Kerlin's work also provides rich material for further academic research and study.

The phenomenon of social entrepreneurship/social enterprise is increasingly recognized as offering an important contribution to wider attempts at addressing the United Nations Sustainable Development Goals (British Council, 2016; UNDP, 2016). In order for social entrepreneurship/social enterprise to fulfill its promise in improving the lives of millions, its adaptability and contextual flexibility needs to be understood, codified, and institutionalized. This book represents an important contribution to this endeavor.

Alex Nicholls
Professor of Social Entrepreneurship
Saïd Business School
University of Oxford

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CHAPTER

1

The Macro-Institutional Social Enterprise Framework: Introduction and Theoretical Underpinnings

Janelle A. Kerlin

The concept of social enterprise continues to raise the interest of people around the world. From practitioners to policymakers, activists, and funders of the social good, social enterprise has captured the imagination and hopes of a growing cross-section of society that seeks to find a more sustainable answer to the problems of society (Lundstrom, Zhou, von Friedrichs, & Sundin, 2014). Though definitional issues remain, in practice, many have simply seized upon its core components: market-based revenue generation with social benefit as a primary aim. Indeed, a vast and growing number of diverse activities, programs, and organizations actualize this concept on a daily basis across the globe. With its seemingly limitless opportunities and enduring fascination, the question of what makes social enterprises what they are in today's societies has become a central question. In an attempt to address this question, this volume

considers the influence on social enterprise of some of societies' most powerful forces: institutions.

Institutions and their role in the making of particularly situations of poverty and poverty alleviation have gained increasing attention as scholars seek to understand root causes (Acemoglu & Robinson, 2012; Banerjee & Duflo, 2011; Hazenberg, Bajwa-Patel, Mazzei, Roy, & Baglioni, 2016; Mair, Martí, & Ventresca, 2012; Roy, McHugh, Huckfield, Kay, & Donaldson, 2015). Institutions can range from the largest macro-level organizations found on national and international levels to the smallest entities on the local level. These can include the more obvious national, regional, and local governments as well as the less obvious institutions of civil society, the market economy, and entities working on an international level such as the European Union. In addition to these formal institutions, the informal institution of culture, expressed in the values, norms, and beliefs of societies, is also of interest. Indeed, there is evidence that all of these institutions help shape many aspects of social enterprises from their organizational form to their governance structure, program activities, funding strategies, outcomes, and many others even their incidence in a country (Kerlin, 2009, 2013, 2015; Stephan, Uhlaner, & Stride, 2015). Given that these institutions look different in different countries, it follows that the social enterprises they influence will look different across countries as well. Understanding how institutions shape social enterprises can not only help explain why and how they look different in different places, but also assist in knowing where to intervene to support their work in diverse contexts.

Indeed, understanding social enterprise has become a preoccupation for an increasing number of researchers from a growing number of fields (Doherty, Haugh, & Lyon, 2014; Lundstrom et al., 2014). Until recently however, the only research that discussed the influence of institutions on the development of social enterprise was qualitative case studies that often compared social enterprise across countries or regions (Borzaga & Defourny, 2001; Chell, Nicolopoulou, & Karataş-Özkan, 2010; Dacanay, 2004; Defourny & Kim, 2011; Defourny & Nyssens, 2010; Galera & Borzaga, 2009; Kerlin, 2006, 2009; Mair et al., 2012; Nyssens, 2006). Based on this work, there is now a general consensus both within and without this group that differences in social enterprise across countries can be explained in part by variations in institutional context (see also Austin, Stevenson, & Wei-Skillern, 2006; Dacin, Dacin, & Matear, 2010; Defourny & Nyssens, 2016; Young, Searing, & Brewer, 2016).

However, much remains to be done in this area specifically in terms of systematic research to identify patterns of institutional influence across countries and their discrete influence on social enterprise. Though there was early reference to the influence of government, market, and civil society institutions, these were not examined systematically to understand patterns across countries until recently. Kerlin (2009) made a first attempt with her preliminary typology of social enterprise country models based on qualitative country and regional studies in her edited book, *Social Enterprise: A Global Comparison*. However, this foundational study was lacking in theoretical and quantitative rigor and the work of other authors was in its infancy as well. Indeed, based on an extensive review of research on hybrid organizations, Doherty et al. (2014, p. 429) suggested that the field address among other questions: “To what extent have different institutional frameworks and contexts supported or discouraged the establishment of hybrid organizations?”

Unfortunately, research on this and related questions has moved slowly in part due to a lack of data but also a reliance on one or two approaches to studying the phenomenon. This included either qualitative country case studies of social enterprise as discussed above, theoretical musings on the topic (Kerlin, 2013), or, with the newly available global entrepreneurship monitor (GEM) data (Lepoutre, Justo, Terjesen, & Bosma, 2013), advanced quantitative analyses that attempt to link country-level variation in institutions with variation in social enterprise that sometimes involved testing of basic theory (Estrin, Mickiewicz, & Stephan, 2013; Hechavarría, 2016; Hoogendoorn & Hartog, 2011; Puumalainen, Sjogren, Pasi, & Barraket, 2015; Stephan et al., 2015). What was lacking was a framework approach that rigorously incorporates all three: theoretical development of a framework tested by qualitative and quantitative empirical research that mutually informs one another (Haugh, 2012). To address this weakness in the research, this volume proposes to test a theoretically-based framework through quantitative and qualitative research with the goal of creating a tool that identifies different configurations of informal and formal macro-institutions that shape specific social enterprise country models.

Indeed, the focus of this book is Kerlin’s Macro-Institutional Social Enterprise (MISE) framework originally introduced in an academic journal article in 2013 (Kerlin, 2013). The article first established the theoretical underpinnings for the framework by drawing on the theory of historical institutionalism, a discussion