

Jamie Newth

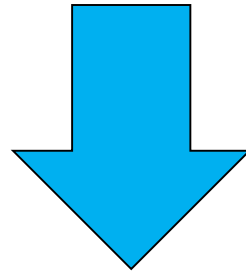
SOCIAL ENTREPRENEURSHIP & SOCIAL ENTERPRISE

Presentation to:
Research Symposium on Sustainability, UABS | 2015



Origins of the Research

How does innovation happen in social entrepreneurship?



How does innovation for social entrepreneurship happen within the institutional context of an INGO?

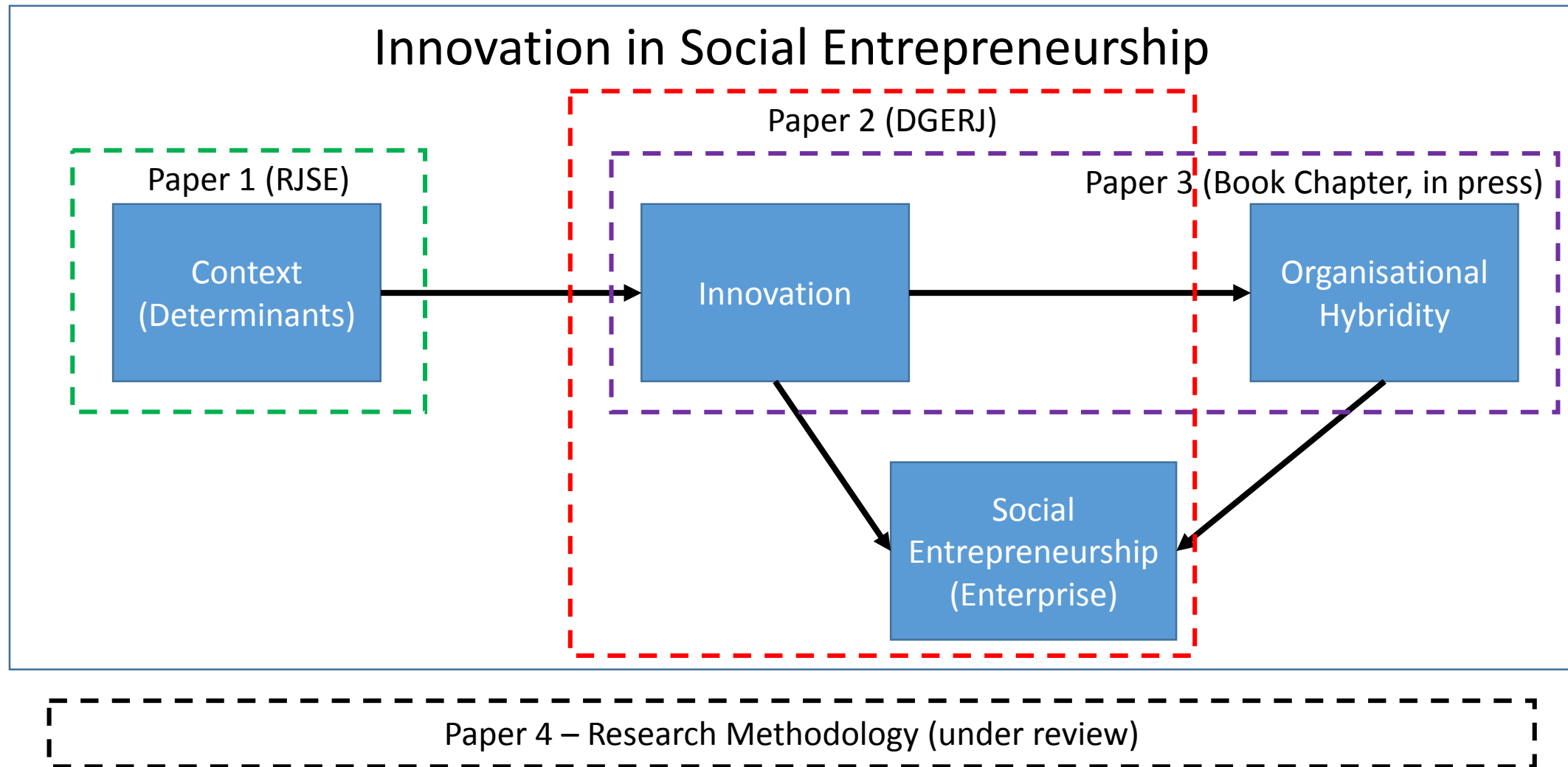
Legitimacy

Institutional constraints & enablers – logics & hybridity

Resistance – positive & negative

Investigated via
organisational
ethnography

Outputs from this project thus far...



Why should we be interested in development INGOs?

- They're important
 - Financial capital
 - Human capital
 - Social capital
 - Brand capital
- They're relevant
 - Mission – revenue generation and/or impact
 - Opportunity – as catalysts, advisors, investors, entrepreneurs etc
 - Are being disrupted

Research Method

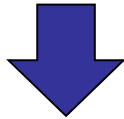
- 24 month ethnographic study of a large, traditional INGO as they pursue a social entrepreneurship approach to social change
- Participant observation (“observant participation” (Moeran, 2009))
- Multiple interviews
- Organizational document analysis

Organization Background

- Provides integrated, long-term (15 years) development programs with communities comprising 100 million people
- Beyond emergency relief, programs include health, water and sanitation, education and life skills, child rights and equity, agriculture and food security, economic development, disaster risk reduction and climate change, peacebuilding, and microfinance
 - Core funding from pledge donation product enables long-term orientation
 - Government aid funding
 - Federated partnership of offices around the world – fundraising & programme delivery
 - \$2B+ PA revenue globally from 10m donors and govt grants
 - 50,000 staff
 - New Zealand Office \$NZ55m, 115 staff
 - Funds and monitors 55 long term development projects in 25 countries

Child Sponsorship

- Innovative fundraising product ('marketing construct')
- Highly successful – shaped the financial success of the organisation
- Brought global poverty into the average household
- Broke mass poverty statistics down to individual children to make participation accessible and meaningful




- Enabled development of global development structure which mobilizes govt aid funding and 'major' donors
- Organization's global and internal structures grown to deliver on this value proposition
- Other value propositions have remained peripheral, structurally decoupled, or stifled

Why Change (Social Entrepreneurship)?

- Relevance to donors
- Alternative sources of revenue (arrest decline)
 - To achieve business as usual
- To enable strategic independence
- To increase impact
- To become relevant to the private sector and private sector capital
- Future-proofing for the future of development

Relevance to the Future of Development



Macro changes

- Urbanisation of global poverty with low income countries having very young populations and 90% of population growth occurring in less developed regions.
- Increased oil, water, and food scarcity through climate change and competition for resources.
- Shifting power structures (West to East) disrupting multilateral agendas.
- Most economic growth occurring in developing nations with increased South-South trade and investment
- Pervasive penetration of low-cost mobiles amongst poor.

Which changes
development...

Which changes
the role of
INGOs

Looking through an Institutional Lens

“Institutional logics are the material practices and symbolic constructions” that constitute the organizing principles of society and that are “available to organizations and individuals to elaborate” (Friedland and Alford, 1991 as cited in Tracey et al., 2011).

These logics guide the behaviour of actors within a field and render their actions comprehensible and predictable “provide the organizing principles for a field” (Reay & Hinings 2009).

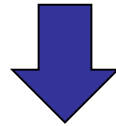
- Social entrepreneurship strategy in a ‘traditional’ INGO will hybridize (cf. Newth, 2015)
- Hybridization is the blending of logics that are previously considered incompatible (cf. Greenwood et al., 2011; Pache & Santos, 2010)

Points of Hybridization

	Established Social/Development Logic	Hybridized Social Entrepreneurship Logic
Finance and institutional compliance	Revenue used as proxy for impact. Cost to revenue ratio seen as proxy for efficiency and stewardship. A focus on maximizing financial throughput.	Focus on maximizing impact. Mobilize capital to be brought to bear on development agenda using org's capability and insight, not just through its 'books'. Prioritize reporting impact over throughput.
Risk Appetite	Little mandate for financial risk and fear of alienating existing donors	Acceptance that failure is a necessary part of innovation.
Business Model	Donations and government grants to deliver development programs.	Relevant to many classes of capital – donations, grants, venture philanthropy, and impact investment – to deliver programs and facilitate social entrepreneurship. Impact is leveraged by social entrepreneurs.
Value Proposition	Trustworthy child-focussed humanitarian charity. Development practise communicated via the 'child sponsorship' marketing construct.	Market-leading development agency employing sophisticated impact measurement methods, engages supporters transparently in their work, catalysing social entrepreneurs as well as delivering humanitarian programs.
Governance	As a support office, fundraising donations is of primary importance. Focus is on marketing and 'sales' to increase efficacy of extant business model and value proposition, while minimising costs.	Stewardship mandate includes pursuit of innovative business models (improved capital raising), value propositions (relevance to new supporters), and development practices (social entrepreneurship).

Child Sponsorship as Dominant Logic or Structural Attractor?

Fundraising product subsumes 'purpose' as primary frame for governance, strategy, and planning



Does this make it a dominant logic?

Or is it more usefully described as a 'structural attractor'?

Complexity Perspective – Child Sponsorship as Structural Attractor

Complexity theory is a mathematical language and set of concepts for describing and modeling complex linear systems, and provides a way of “developing a unified view of life by integrating life’s biological, cognitive and social dimensions” (Capra, 2005: 33).

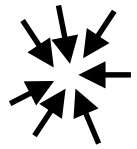
Complexity Perspective – Child Sponsorship as Structural Attractor

What is a structural attractor?

- The behavior of a system over time is portrayed as a continuous tracing of a line in three-dimensional space (Capra, 2005; Goldstein, Hazy, Siberstang & Schultz, 2009). Certain regions of the space are occupied more than others. These regions are known as attractors.
- When subject to this attractor, the system or organization will remain with given boundaries. These boundaries guide and/or constrain the actions and choices of the individuals interacting with and within that organization (Hazy, 2011: 528).

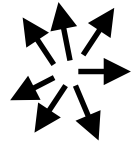
“a structural attractor is the emergence of a set of interacting factors that have mutually supportive, complementary attributes” (Allen, 2001: 36).

Dynamic Contexts that Shape Attractors



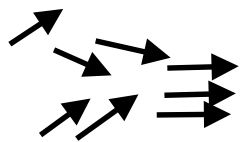
Convergent → stability → stagnation → ossification

Financial through-put as proxy for impact – “We’re a fundraising organisation”



Divergent (generative) → innovation → bifurcation → chaos

Social entrepreneurship as compelling opportunity – “We could be a catalyst for social enterprise and impact capital”



Unifying → reflection → emergence

Organisational purpose – “There are many business models to lift children out of poverty. Impact is the priority.”

Edge of Chaos: Autonomy

Edge of Stability: Connectivity

	Chaos	Opportunity <i>Social Entrepreneurship</i>	Emergent Zone	Order <i>Child Sponsorship</i>	Regimented
Controlling Mechanism	None	Structural attractor	Structural Attractor	Structural attractor	Command and Control
Nature of relationships between actors	No detectable relationships	Some connection between actors	Networked and highly connected	Formally guided by the rules and principles of the group	Fixed and prescribed Unchanging
Actors	Independent actors "lone wolf entrepreneur"	Opportunity seeking entrepreneur	Interaction of opportunity seeking behaviour and disciplined practise	Knowledge experts	Established bureaucracies
Outcome	Random changes and outcomes. Disintegration certain	Instability – unpredictable changes and outcomes. Disintegration possible	Flexible new order involving radical and/or incremental changes	Stability – incremental changes. Ossification possible.	Systems are resistant to change. Ossification certain

Instability ←————→ Stability

Concluding Ideas

Paradox of logic dominance

- The dominance of the dominant logic that enables innovation & growth during initial conditions may constrain innovation when institutional & market conditions change

Limitation of institutional thinking (hybridization)

- 'Non-profit' to 'hybrid' is not a binary shift
- It may not fully explain why organisation's get 'stuck' despite explicit attempts to hybridize
- Logics thinking may lose relevance when forces are born from the 'product' level

- Complexity & Structural Attraction

- Organisations are complex adaptive systems
- Structural attractors could be a useful frame for understanding the institutional resistance to social entrepreneurship within established non-profit organisation

Questions & Feedback

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Implications for Innovation & Social Entrepreneurship

- SE emerges from the historical and social context
- Understanding this context – attractor, what is shaping behaviour
- Understanding the various dynamics that operate within and on a structural attractor
- Spiral of innovation
 - opportunity (generative)
 - Stability (convergence)
 - Purpose (unifying)

Provocations

- Hybrid logic is not the only institutional explanation of social entrepreneurship innovation in existing INGOs / not-for-profits
- Can we consider social enterprise as the new dominant institutional logic?
 - What are the implications of this?

Agenda

1. Origin of the Research
2. Why?
3. INGO & Case Summary – SE??
 1. etc
4. Institutional thinking
 1. Definition
 2. Logics & hybridity
 3. Child Sponsorship
5. Complexity
 1. What is a CAS? What are structural attractor?
 2. Cspn as structural attractor – how & why
 1. Generative / Unifying / Convergent - + table
 3. Bifurcation, innovation, & decoupling
6. Provocation

Relevant Literature

Doing social entrepreneurship in:

- Non-profits
 - e.g. Haugh (2007), Le Roux (2005), Morris et al. (2007), Smith et al. (2010), & Weerawardena & Mort (2001)
- Hybrid organizations
 - e.g. Battilana & Dorado (2010), Battilana et al. (2012), Cooney (2006), Domenico et al. (2009), Peredo & Chrisman (2006), Pache & Santos (2010; 2013)
- Very little in humanitarian INGO context

Stakeholder theory

- e.g. Jawahar and McLaughlin, 2001; Mitchell et al., 1997

Institutional theory

- e.g. Battilana & Dorado (2010) Pache & Santos (2013), Doherty, Haugh & Lyon (2014); Thornton & Ocasio, (2008) Friedland & Alford (1991)

Social Enterprise in Non-profits

Doherty et al (2014) – pursuit of social enterprise in non-profit sector

- Changes in the nature of philanthropic giving (Dees, 2008)
- New models of public service delivery have created new opportunities (Brandsden et al., 2005; Chell, 2007; Evers, 2005; Fawcett & Hanlon, 2009, Haught & Kitson, 2007; Perrini et al, 2010)
- Interest in alternative economic systems and novel forms of capitalism (Amin, 2009; Hemingway, 2005; Hudson, 2009, Wilson & Post, 2013)

- P2: Strongly dominant organizational logics that constrain explicit attempts at innovation and change conform to the rules of structural attractors in complex adaptive systems
- P3: Weak signals