Jamie Newth

SOCIAL ENTREPRENEURSHIP & SOCIAL ENTERPRISE
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...

Innovation in Social Entrepreneurship

- Paper 1 (RJSE)
- Context (Determinants)

- Paper 2 (DGERJ)
- Innovation

- Paper 3 (Book Chapter, in press)
- Organisational Hybridity

- Paper 4 – Research Methodology (under review)
- Social Entrepreneurship (Enterprise)
Why should we be interested in devopment 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
- ‘Aid’ no longer simply about rich to poor transfers - increased domestic self-sufficiency
- INGOs to catalyse capital for positive ‘development friendly’ outcomes
- INGO impact occurs through facilitating blended aid: ODA, cross sector partnerships, catalysing private sector growth and FDI, impact investment and development impact bonds.
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 Hybrization

<table>
<thead>
<tr>
<th>Established Social/Development Logic</th>
<th>Hybridized Social Entrepreneurship Logic</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Finance and institutional compliance</strong></td>
<td></td>
</tr>
<tr>
<td>Revenue used as proxy for impact. Cost to revenue ratio seen as proxy for efficiency and stewardship. A focus on maximizing financial throughput.</td>
<td>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.</td>
</tr>
<tr>
<td><strong>Risk Appetite</strong></td>
<td></td>
</tr>
<tr>
<td>Little mandate for financial risk and fear of alienating existing donors</td>
<td>Acceptance that failure is a necessary part of innovation.</td>
</tr>
<tr>
<td><strong>Business Model</strong></td>
<td></td>
</tr>
<tr>
<td>Donations and government grants to deliver development programs.</td>
<td>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.</td>
</tr>
<tr>
<td><strong>Value Proposition</strong></td>
<td></td>
</tr>
<tr>
<td>Trustworthy child-focussed humanitarian charity. Development practise communicated via the ‘child sponsorship’ marketing construct.</td>
<td>Market-leading development agency employing sophisticated impact measurement methods, engages supporters transparently in their work, catalysing social entrepreneurs as well as delivering humanitarian programs.</td>
</tr>
<tr>
<td><strong>Governance</strong></td>
<td></td>
</tr>
<tr>
<td>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.</td>
<td>Stewardship mandate includes pursuit of innovative business models (improved capital raising), value propositions (relevance to new supporters), and development practices (social entrepreneurship).</td>
</tr>
</tbody>
</table>
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).
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

<table>
<thead>
<tr>
<th>Chaos</th>
<th>Opportunity</th>
<th>Emergent Zone</th>
<th>Order</th>
<th>Regimented</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Controlling Mechanism</strong></td>
<td>None</td>
<td>Structural attractor</td>
<td>Structural Attractor</td>
<td>Command and Control</td>
</tr>
<tr>
<td><strong>Nature of relationships between actors</strong></td>
<td>No detectable relationships</td>
<td>Some connection between actors</td>
<td>Networked and highly connected</td>
<td>Formally guided by the rules and principles of the group</td>
</tr>
<tr>
<td><strong>Actors</strong></td>
<td>Independent actors “lone wolf entrepreneur”</td>
<td>Opportunity seeking entrepreneur</td>
<td>Interaction of opportunity seeking behaviour and disciplined practise</td>
<td>Knowledge experts</td>
</tr>
<tr>
<td><strong>Outcome</strong></td>
<td>Random changes and outcomes. Disintegration certain</td>
<td>Instability – unpredictable changes and outcomes. Disintegration possible</td>
<td>Flexible new order involving radical and/or incremental changes</td>
<td>Stability – incremental changes. Ossification possible.</td>
</tr>
</tbody>
</table>

### Edge of Stability: Connectivity

<table>
<thead>
<tr>
<th>Order</th>
<th>Regimented</th>
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<tbody>
<tr>
<td><strong>Child Sponsorship</strong></td>
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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

Jamie Newth
j.newth@auckland.ac.nz

Christine Woods
cr.woods@auckland.ac.nz

Deborah Shepherd
d.shepherd@auckland.ac.nz
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. Cson 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
- Very little in humanitarian INGO context

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

Institutional theory
Social Enterprise in Non-profits


– 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)

- 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