Conference Name: Australian Centre for Entrepreneurship Research Exchange Conference 2013

Conference Location: Queensland University of Technology, Gardens Point

Conference Date: 6 – 8 February, 2013

ISBN: 978-1-921897-55-9

Editor: Per Davidsson

Paper Title: Pathways to sustainable enterprise: The emergence of social business models

Authors: Erin Castellas Monash University

Submitting Author Contact Information:

Erin Castellas

Monash University, Australia

erin.castellas@monash.edu

Pathways to Sustainable Enterprise: The emergence of social business models

Abstract. Academics have widely questioned the ability of traditional business models to address sustainable development challenges and aspirations. If businesses- as the dominant institutions in our society- are to participate in forging sustainable solutions, they will need to examine and redesign organizational principles and practices. Shifting from creating negative societal externalities to contributing to sustainable development requires a cross-disciplinary approach to generating shared value across multiple dimensions, including environmental, social and financial value. The nascent fields of social entrepreneurship and corporate social responsibility offer building blocks to understand how organizations can operate in greater alignment with principles of sustainable development. However, there are large gaps in understanding the elements that enable, define, and illustrate how, why, and what these new organizations are and could be. Building on emerging models of social entrepreneurship, this paper proposes a new conceptual framework for researching the enabling conditions and practices of emerging sustainable business models. The aim of the framework is to contribute to research on new hybrid business models that can deliver social as well as financial value.

Key Words. *Social entrepreneurship, social enterprise, social business, sustainable enterprise, business models, corporate social responsibility*

1 Introduction

The Financial Crisis of 2008 exposed flaws in the valuations of companies, gaps between market value and underlying asset value, as well as some of the irrationality of the incentives and behaviour of some market participants (Robins and Krosinsky, 2009). This has led to academics and practitioners questioning conventional business teachings and silo-ed theories that may no longer be adequate for addressing the complex nature of problem solving and business activities at today's pace of development (Robinson 2004; Birkin et al., 2009).

Heerema and Giannini (1991) argue that the dominant institutions in our modern society are no longer governments or religious bodies but corporations. As our dominant social institutions, Hawken et al. (1993) and Birkin (1993) argue that current business models will struggle to accommodate sustainable development[1] as our population grows. According to this perspective, the current corporate model fails to account for its own drivers of business value, often deliberately creating negative social and environmental impacts in the pursuit of economic growth (Pigou, 1962; Nordhaus, 1994; Senge et al., 2007; Trexler, 2008; Birkin et al., 2009). Some corporations have long recognized and communicated their stake in sustainable development. While traditional business models may create economic growth and amass wealth to owners of economic capital, questions have arisen as to whether these are the shared goals for human progress and development and an accurate representation of the ideals to maximize human welfare (Hawken et al., 1993; Eisler, 2007).

Lewin et al. (1999) note that new organizational models emerge and co-evolve with changes in their environment, including technological, institutional, socio-political and competitive dynamics. In the context of sustainable development, these environmental drivers are leading

[1] Sustainable development is broadly defined as the ability of the present generation to meet their needs without compromising the needs of future generations (WCED Bruntland Commission 1987).

to the emergence of new concepts and aspirations toward new organizational models that integrate principles of sustainability.

Corporate sustainability emphasizes the key principle of sustainable development, namely perpetuity or longevity, over merely fulfilling social and environmental responsibilities to diverse stakeholder groups. The concept of sustainability links the social responsibilities of a firm to shareholder value, creating a strong business rationale for assessing social and environmental liabilities and opportunities. Corporate sustainability management is often discussed in a way that first meets the sustainable development needs and aspirations of a firm and then can extend to society at large. A subtle difference in terminology between corporate sustainability and corporate social responsibility (CSR) (that is not consistently observed throughout the literature) is that sustainability clearly links the fate of the firm to integrated social, environmental, and economic business practices, whereas CSR draws upon a moral and ethical impetus or sense of responsibility that drives social and/or environmental action.

Over the past three decades, the concept of sustainability has gone from a marginal environmental movement to a mainstream business framework (Dyllick and Hockerst, 2002; De Bakker et al., 2005). Social enterprise and socially responsible companies represent a shift toward sustainability that may reflect a distinct business model and organizational type (Alter, 2004). Scholars who see these blended value[2] strategies leading to innovative business models use a variety of terms to capture this emerging phenomenon, such as: B corporations (Holbrook, 2010), blended value (Emerson, 2003), community interest companies (Low 2006), corporate social responsibility (Bowen, 1953), corporate sustainability (Dyllick and Hockerst, 2002), eco-preneurs (Schaltegger, 2011), environmental, social, and governance (ESG) research, for-benefit companies, natural capital (Hawken et al., 1999), shared value (Porter and Kramer, 2011), social business (Yunus, 2010), social capital (Putnam, 2000), social entrepreneurship (Nicholls, 2006), social enterprises (Drayton, 2002), social intrapreneurship (Grayson, 2010) social return on investment, sustainable business models (Stubbs, 2010), sustainable entrepreneurship (Choi and Gray, 2008), triple bottom line (Elkington, 1997), venture philanthropy (Pepin, 2005).

The wide-ranging terminology around emerging sustainable business models demonstrates the diversity of views and disciplines that are converging to address these shared issues and attempting to integrate values and models across traditional boundaries. In each of these disciplines there is a lack of consensus of definitions. This inherent lack of clarity around key concepts has led to significant discussions and research aimed at defining these phenomena. Mair and Marti (2006) suggest that these definitional debates may hinder the development and progress of these concepts. Emerson (2003) acknowledges that there are cross-cutting issues that touch these many silo-ed disciplines, separated by language. These issues include: a capital challenge, measurement and performance metrics, leadership and organizational development, government policy, regulation, and tax codes.

Rao et al. (2000) identified the components of a new business model: organizational goals, customers, technologies, authority structures, and marketing strategies. However, in reviewing the literature that attempts to define social enterprise and socially responsible businesses, consensus remains elusive as to how these potentially distinct organizational forms can be defined, let alone categorized as separate entities. Due to the predominant focus

[2] The term “blended value” is attributed to Jed Emerson and reflects the financial and social value organizations aspire to generate. See www.blendedvalue.org

on clarifying key concepts and definitions and silo-ed approaches to shared issues, there are significant gaps in the literature that tie together these over-lapping principles and issues to progress more cohesive models with shared goals.

This paper seeks to contribute to the discussion on these emerging sustainable business models by investigating their enabling conditions and practices. The paper first reviews the literature on the convergence from the non-profit and for-profit spheres of the economy to define the phenomenon of interest: types of sustainable business models. It then discusses the enabling conditions, supporting the growth and emergence of these new types of models and proposes a conceptual framework to guide research in this nascent and emerging field. The paper concludes by recommending how research can be progressed to accelerate understanding and growth of business models that aim to deliver sustainable economic, social and environmental value.

2 Emergence of sustainable business models

The emerging hybrid business models that aspire to generate both social and economic value appear to have evolved from two distinct spheres of the economy: the voluntary, charitable, not-for-profit or unpaid "third sector" of the economy, and the for-profit commercial private sector of the economy. Kim Alter, a US-based social enterprise consultant, developed a social enterprise typology, depicted in Figure 1. It captures the convergence of socially-responsible businesses and enterprising charitable organizations as each moves toward blending social and financial objectives (Alter, 2004).

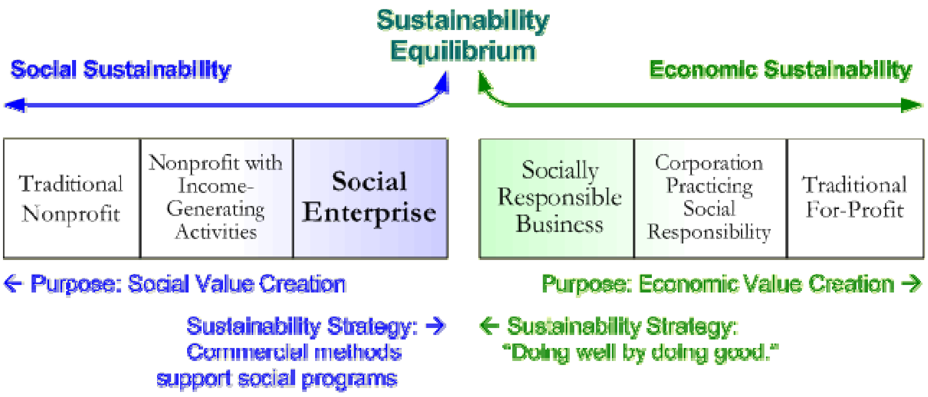


Figure 1. Social Enterprise Typology (Source: Alter, 2004)

In Alter's (2004) model, social enterprises and socially responsible businesses are converging toward a sustainability equilibrium that balances economic and social sustainability.

To further explore Alter's model, sections 2.1-2.2 review the academic literature on social and economic value creation. Based on this review, Figure 2 presents a refined model of emerging types of sustainable enterprise.

2.1 Evolution from the Non-profit model to Social Enterprise

Research on social enterprises, businesses that attempt to integrate social and financial return objectives, is an emerging topic in the academic literature (Haugh, 2012). However, many scholars and practitioners focusing on the growth of the social enterprise sector cite the pre-industrial business model as the original social enterprise. Corporations were granted a corporate charter because they served the public good (Conaty, 2001). Table 1 outlines the diversity of organizations through time that have embodied social enterprise principles and have contributed to the evolution of today's social enterprise business models.

Table 1 illustrates the diversity of views of social enterprises. The practitioner and academic literature commonly cites a lack of consensus in definition, leading to confusion for sector development. However, social enterprise is most often seen as originating from non-profit organizations moving toward more enterprising strategies due to environmental pressures and competitive dynamics (James and Rose-Ackerman, 1986; Weerawardena et al., 2010).

2.1.1 Social Entrepreneurship

Social entrepreneurship is an interchangeable term with social enterprise, especially in the US (Nicholls, 2006). However, there is a body of literature that notes a distinction in either the examination of individual traits and charismatic champions (Leadbeater, 1997; Drayton, 2002) or the innovative and disruptive entrepreneurial approach (Schumpeter, 1994; Dees and Anderson, 2003) as a distinct phenomenon to the social enterprise organization as a unit of analysis. Banks (1972) is acknowledged as the first academic to use the term "social entrepreneur," noting that managerial skills could be applied to social issues. Scholars who use the term social entrepreneurship see social enterprise as a sub-set of the field of social entrepreneurship (Nicholls, 2006). Organizations in the practice of social entrepreneurship, including Ashoka founded by Bill Drayton in 1980 and Volans founded by John Elkington in 2008, clearly link social entrepreneurship with transformational system-wide change, and distinguish social entrepreneurship as separate from social enterprise (see www.ashoka.org and www.volans.com). Leviner (2005) and Bornstein (2004) detail the unique process of filtering for social entrepreneurial traits and the power of individuals to create systemic change that underlies social issues. Some characteristics of social entrepreneurs include: willingness to take reasonable risk, understanding the difference between needs and wants, willingness to self-correct, strong learning orientation, willingness to share credit, willingness to break free of established structures, willingness to cross disciplinary boundaries, willingness to work quietly and without acknowledgement, and strong ethical impetus. The field of social entrepreneurship depends upon unique characteristics of individuals that allows for social change (Hao, 2011). Critics of the social entrepreneurship literature argue that focus on a heroic leader emphasizes the importance of a single actor, where complex system change requires many agents, variables, and networks and that research on social entrepreneurship traits has not been translated into the business models (Goldstein et al., 2008; Massetti, 2008). As with social enterprise, social entrepreneurship is fraught with definitional challenges (Mair and Marti, 2006; Peredo and McLean, 2006).

2.1.2 Social Business

Social business is another incarnation of an organization that strives to create both social and financial value. Yunus (2010) proposed the concept of social business as a way for business to address pressing social needs. However, a social business is seen to be distinct from non-profits as they are oriented to create self-sustaining profits (Yunus, 2010). The distinction between social enterprise and social business is that social enterprise can co-mingle grants and earned income, whereas a social business is completely self-funded. While profits are not typically the central motive for social business (Prahalad & Hammond, 2002; Yunus, 2010), the term can be extended to include any business that has both a social and financial objective. Yunus (2010) intended social businesses to be non-dividend, placing these types of businesses near the social enterprise category in Alter's (2004) typology.

Enterprise	Time Period	Social Purpose
Pre-Industrial Business	Pre 1850's	Serve unmet social needs, so called "social contract"
Cooperatives	Mid 1800's	Democratic ownership to meet shared cultural, social and economic aspirations
Mutuals, Development Credit Unions	Mid 1800's	Owned by and for the benefit of members who accumulate ownership rights through customer relationships
Fair Trade	1940's-50's	Promoting fair pricing and trade as an alternative to aid
Social Firms and Affirmative Business	1960's-70's	Employ disadvantaged and disenfranchised population
Community Development Corporations and Community Development Finance Institutions	1970's	Investing in community economic development
Polish Reformer "social enterprise"	1970's	Self-sustaining entity created to deliver social benefit in Poland
Micro-Enterprises and Micro-Finance	1970's	Access to capital to empower small, local entrepreneurs
Community Land Trust (US)	1970's	Legal entity and model for promoting affordable housing and community development
Civil Society Organizations	1990's	Transition from aid-funded organizations to self-financing
Venture Philanthropy	1990's	Philanthropists seeking social and financial returns, utilizing tenets of venture capital, investing in social causes
Bottom of the Pyramid and Inclusive Business	2002	Business strategy delivering services to the world's poorest
Community Interest Company (CIC) (UK)	2005	Legal entity for social enterprises
For Benefit Corporation, B Corporation (US)	2006	New legal structure and label to distinguish businesses with social and environmental purpose
Low Profit Limited Liability Corporation (L3C) (US)	2010	Legal structure with special tax treatment for social enterprises with hybrid funding models
Social Enterprise Limited Liability Partnership	Proposed 2011	Intended to create a new legal structure with special tax treatment for social enterprises with hybrid funding models

Table 1. History of Social Enterprise (Source: Conaty, 2001; Emerson, 2003; Alter, 2004; Stubbs, 2008a, b; Simanis and Hart, 2009; Trexler, 2010; Waddock, 2011)

2.2 From the For-profit model to socially responsible or "sustainable" businesses

Some businesses from the traditional for-profit sphere of the economy have also begun seeking a blended social and financial return objective. In this profit-oriented sector, the distinctions between CSR, corporate sustainability, sustainable development, and sustainability are often blurred, as each field attempts to integrate social, environmental and economic value into the respective paradigms. CSR emerged from various origins, including Bowen's (1953) position that businesses have an obligation to society that exceeds profit and the law. Freeman (1984) argued that a broader group of stakeholders, beyond shareholders, are both the responsibility and liability of companies. Peter Drucker, who had written about CSR in 1954, revisited the topic in 1984 to propose the link between social responsibility and financial performance of a firm. Drucker's publication helped create a greater mainstream awareness of the business case for CSR. The acknowledgement of a wider group of stakeholders by corporations began to shape modern forms of CSR, introducing concepts of human relations, dialogue structures, and diverse stakeholder interests that include social, environmental and economic issues, the same principles of sustainable development (Kleine and von Hauff, 2009). This has led to the term CSR being used interchangeably with corporate sustainability, which is defined as "meeting the needs of the direct and indirect stakeholders without compromising the ability to meet the needs of future stakeholders as well. Towards this goal, firms have to maintain and grow their economic, social and environmental capital base while actively contributing to sustainability in the political domain" (Dyllick and Hockerts 2002, 131-132).

The literature observes that commercial businesses with social and environmental aims introduce what is termed socially responsible practices or sustainability initiatives and fall into the category broadly described as CSR. Similar to the literature on social enterprise, the literature on CSR notes the lack of consensus in definitions and terminology, largely due to the complexity and multi-disciplinary nature of CSR. Nevertheless, CSR includes variations on the following: recognition of responsibility to a diverse group of stakeholders, incorporation of social and environmental values into business operations on a voluntary basis, introduction of practices that embody sustainability principles, a sense of ethical or moral responsibility that exceeds legal responsibility, and philanthropic contributions. CSR is thus seen as an expression of a greater responsibility to society. What constitutes social responsibility varies by individual business, stakeholder, and community. CSR practices include reducing environmental impact, philanthropic strategies, and humanistic management practices, such as flex-time, and paid maternity leave.

2.2.1 Social Intrapreneurship and Sustainable Entrepreneurship

In contrast to social entrepreneurship (s2.1.1), social intrapreneurship describes individuals who seek to further social and environmental goals by leveraging the infrastructure and resources of their large companies while also generating a profit for their employers (Grayson 2010). Intrapreneurship is a term attributed to Gilford Pinchot (1983) to describe entrepreneurial change-makers within large organizations. Social intrapreneurship takes this concept and transposes social and environmental aims. The traits of social intrapreneurs include: principles and values of social value creation, preserving nature, and serving others; the ability to cross business and social disciplinary boundaries and communicate in both terms; behaviours that include persistence, self-belief, learning, and outreach; strong learning orientation and willingness to experiment with trial and error; and strong entrepreneurial and communication skills which allow social intrapreneurs to build trust, find champions, and garner support for their projects (Grayson, 2010). The limited literature on this emerging concept, includes: sustainability champions, tempered radicals, corporate changemakers, green teams, corporate volunteers, and corporate responsibility champions.

Schaltegger (2011) contrasts institutional entrepreneurs (intrapreneurs) with ecopreneurs, social entrepreneurs, and sustainable entrepreneurs. According to Schaltegger (2011), intrapreneurs are also called promoters and have the ability to transform existing institutions or create new institutions to integrate sustainability. Ecopreneurs earn money by solving environmental problems, and social entrepreneurs earn money by creating value for society. Sustainable entrepreneurship is seen as a model whereby business contributes to social and environmental value creation through the realization of a successful commercial business. Choi and Gray (2008) also describe sustainable entrepreneurs as entrepreneurs who are able to achieve social and/or environmental objectives in profitable enterprises.

Aligning with the social entrepreneurship literature, the sustainable entrepreneurship and social intrapreneurship literature focuses on the individual traits of change-agents who are able to bring about large-scale market success in conjunction with social and/or environmental innovation. Without these visionary leaders, it is difficult to achieve the direction, alignment, and commitment to bring about organizational change and introduce social and environmental components to business strategy. Sustainable entrepreneurs often do not have formal business training and are driven by their strong social and environmental personal values (Choi and Gray, 2008).

Although the social intrapreneurship and sustainable entrepreneurship literature is quite limited, the traits, practices and organizational culture issues contribute to the discussion on profit-motivated companies moving toward the sustainability equilibrium.

2.2.1 Social Innovation and Creating Shared Value

Porter and Kramer (2006) argue that the greatest social impact can be achieved when a company aligns its strategy with a social dimension, integrating social values into the corporate value proposition (the unique offering a company makes to its customers). Saul (2011) observes that social innovation – designing social strategies into the core business – yields direct business value that immediately aligns with core goals and business strategy, alleviating the need to demonstrate the link of intangible value creation to economic value creation. Porter and Kramer (2011) suggest that business should address social issues that intersect with business interests and societal interests, to maximize return to both groups, thus creating shared value. Some of these strategies are reflected in: re-conceiving products and markets, redefining productivity in the value chain, and enabling local cluster development (Kramer 2012) with the aim of addressing societal needs with business solutions.

2.3 Defining the Phenomenon of Interest

Figure 2 attempts to integrate the multiple expressions of organizations striving to generate social and economic value (ss2.1-2.2) with Alter's (2004) model. Figure 2 presents one expression of how sustainable enterprises are emerging. This new and emerging field of sustainable enterprises is focused on understanding this phenomenon, including clarifying language, definitions, descriptions, and building a case of legitimacy for these new models (Dart, 2004; Mair and Marti, 2006; Nicholls 2006; Diochon, 2007; Barraket, 2012). For clarity and ease of use, the remainder of this paper will use the term "social entrepreneurship" to describe the phenomena of interest, including the varied terms encapsulated in figure 2.

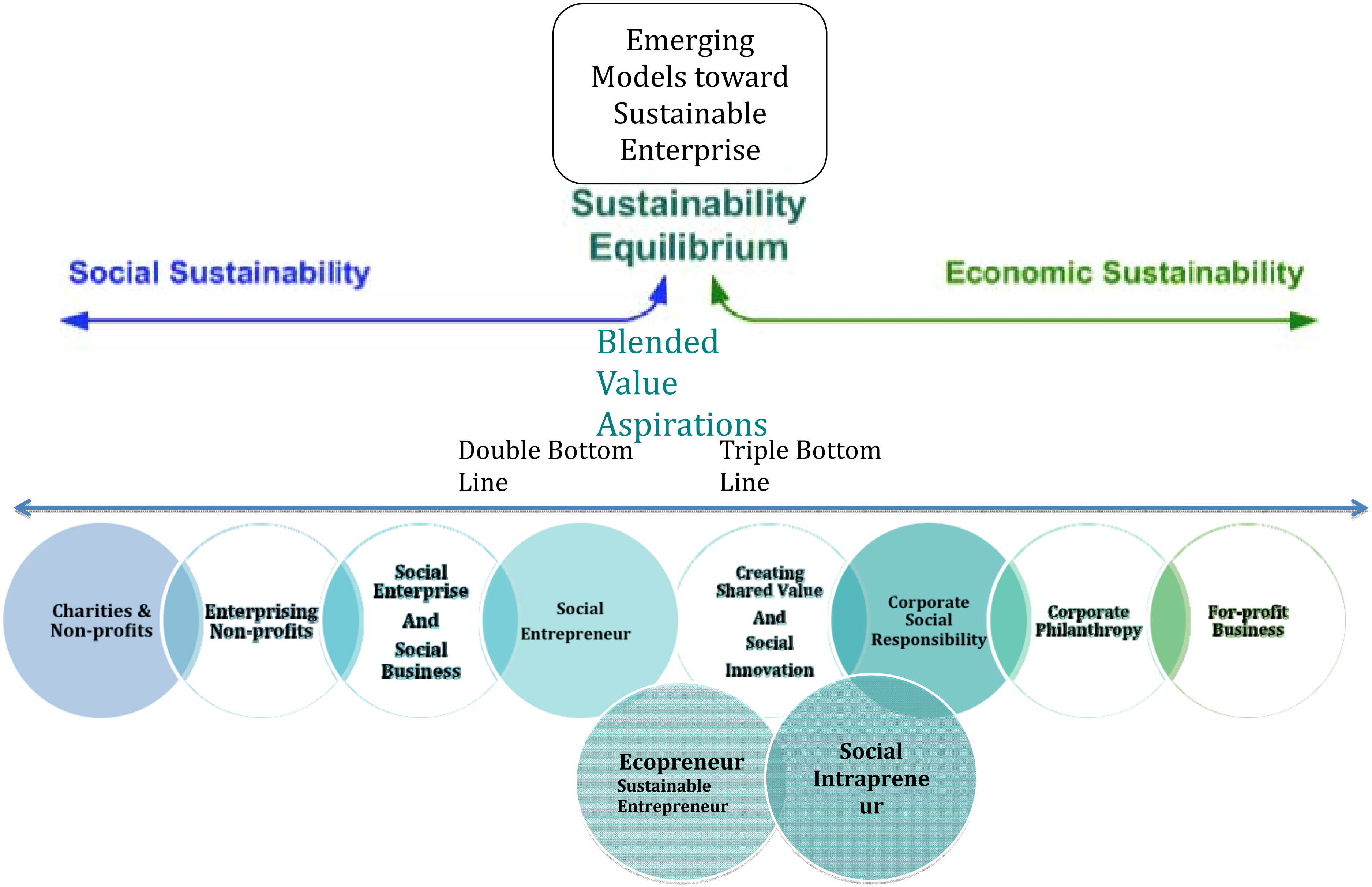

Emerging Models toward Sustainable Enterprise
Sustainability Equilibrium
Social Sustainability
Economic Sustainability
Blended Value Aspirations
Double Bottom Line
Triple Bottom Line
Charities & Non-profits
Enterprising Non-profits
Social Enterprise And Social Business
Social Entrepreneur
Creating Shared Value And Social Innovation
Corporate Social Responsibility
Corporate Philanthropy
For-profit Business
Ecopreneur Sustainable Entrepreneur
Social Intrapreneur

Figure 2. Defining the Phenomenon of Interest: Towards Sustainable Enterprise

3 Conceptual Framework

As the definition and design of social entrepreneurship (SE) evolves, scholars are starting to identify internal and external dynamics of SE firms. In Figure 3, Hao (2011) presents a model to frame the antecedants and outcomes for SE in order to structure and segment the research approaches that can be applied to this nascent field. According to Hao (2011), the antecedants to SE are split into the domains of the entrepreneur and the external environment. In the domain of the entrepreneur, the critical factors that lead to social entrepreneurship include: (a) the cognitive desirability and feasibility of the social entrepreneur, meaning the desire to make a social impact and the cognitive belief in his/her ability to achieve this social mission; (b) human capital of the social entrepreneur, including knowledge and skills, particularly the ability to integrate and utilize scarce resources; and (c) social capital of the social entrepreneur, meaning relationships and networks that can be leveraged. Hao (2011) divides the external environment into: (a) the social environmental factors, including positive cultural attitudes toward SE, access to private industry capital, technical and other support, and education and research institutions; and (b) institutional environmental factors, including public sector support from government and scarce competitive grant money leading to a need for financial self-sufficiency. The singular outcome in Hao's (2011) model is social impact, which is the key differentiating factor of SE.

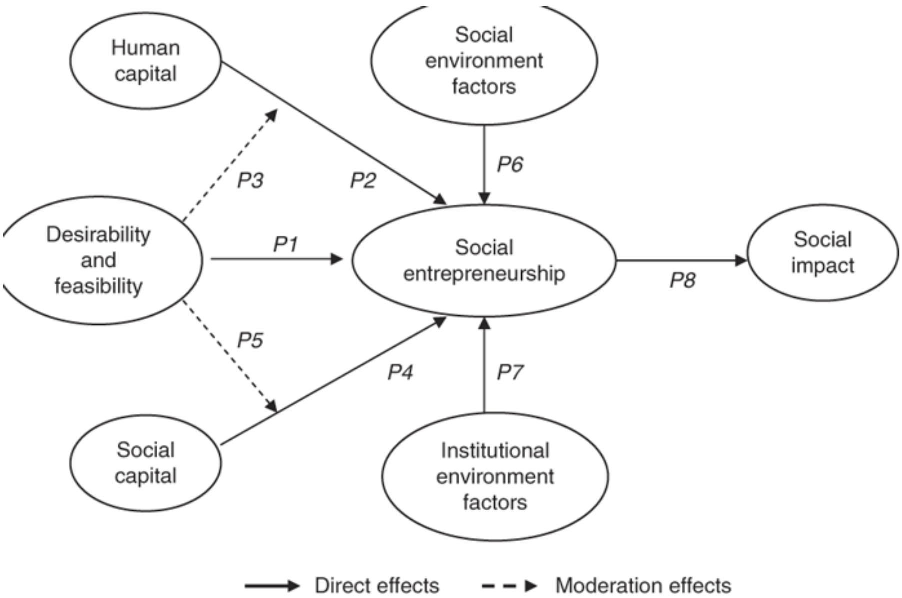


Figure 3. A research model for social entrepreneurship (Source: Hao, 2011)

Building upon Hao's (2011) model for SE, this paper integrates concepts from similar disciplines to put forward a conceptual framework to define the context, and examine the enabling conditions, of emerging SE models.

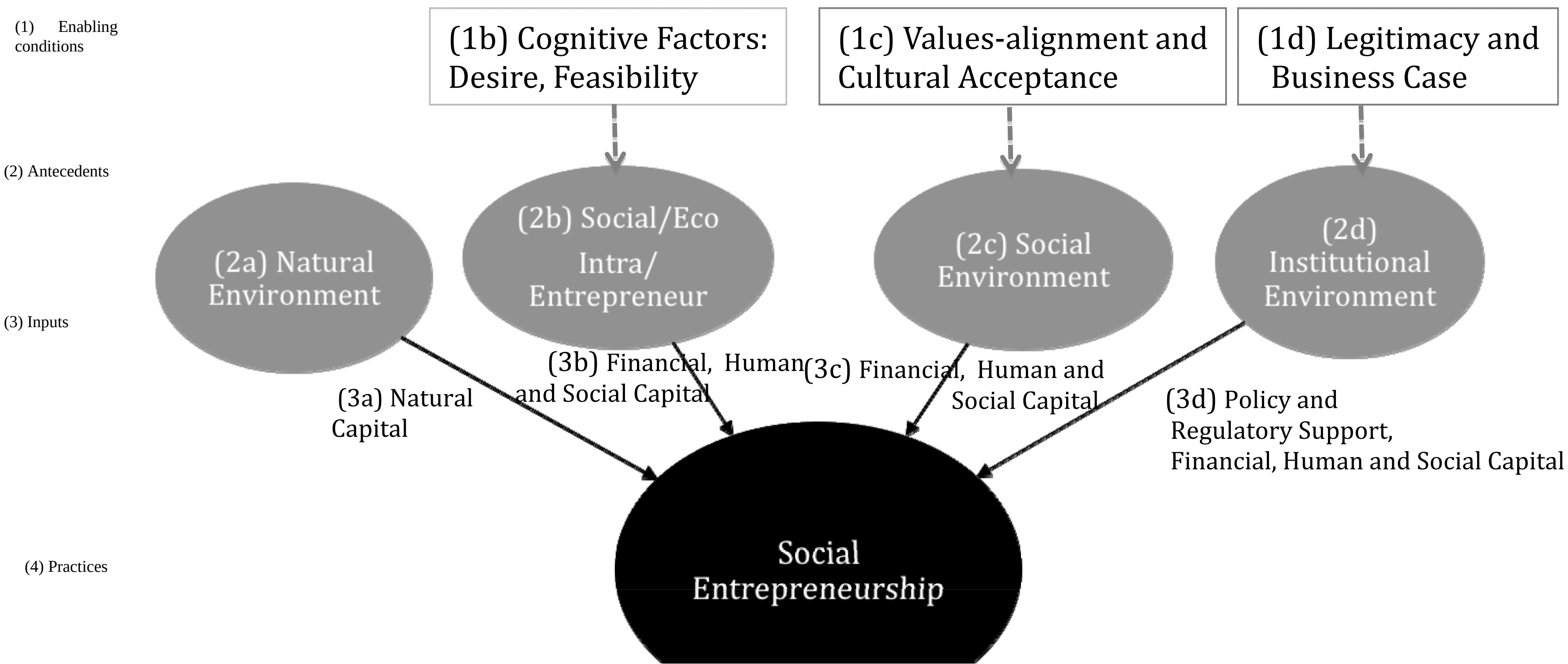
While Hao's (2011) model encapsulates the antecedents into categories of entrepreneur, social environment, and institutional environment, the sustainable business literature suggests that the natural environment is also an antecedent. So, while the individual entrepreneur may offer extra-financial forms of capital in the way of social and human capital, the natural environment also offers natural capital as raw materials for any business operations (Hawken and Lovins, 1993). Figure 5 builds upon Hao's (2011) model, offering four categories of antecedents: (2a) natural environment, (2b) intra/entrepreneur with a social/environmental focus or mission, (2c) social environment, (2d) institutional environment.

In Hao's (2011) model, the entrepreneur offers social and human capital; however, the entrepreneurship literature notes that entrepreneurs often also contribute financial capital (Gompers and Lerner 2003). Hao (2011) also suggests that the social environment includes positive social attitudes toward the sector, cultural acceptance, financial, educational and technical resources; whereas the institutional environment offers public sector support in the way of grant money and public policies. The CSR literature includes institutional environment outputs of social capital, for example from industrial ecosystems and partnerships (Frosch and Gallopoulos, 1989; Gansky, 2010; Tsvetkova, 2012) and human capital in the form of training, education, and technology (Loza, 2004; Robins, 2008; Smith, 2011). Thus, figure 5 adds two additional layers to Hao's (2011) model: (1) enabling factors that drive the antecedent categories, and (3) outputs from these antecedents that then become inputs, supporting the emergence of social entrepreneurship.

This paper deviates from Hao's (2011) model, placing cognitive factors, desire and feasibility, as pre-conditions that enable the existence of a social entrepreneur (figure 5.1b). Chell (2007) notes that societal acceptance of an organization creating something of value to the community is critical to society permitting the development of an organization or project (figure 5.1c). The concept of social license to operate also addresses the need for society to gain cultural acceptance to give tacit permission for an organization or project to commence (Gunningham et al., 2004). Rao et al. (2000) argue that socio-political legitimacy must precede organizational legitimacy, while Carroll et al. (2010) note that a business case is necessary to document why a business or community should embrace a new strategy or form (figure 5.1d).

Figure 5 offers organizing concepts to further research the enabling conditions, practices and outcomes driving and defining SE. The case study literature that examines the practices of SE distils commonly observed behaviours into principles or best practices (Alvord, 2004; Stubbs and Cocklin, 2008a; Bull and Crompton, 2006; Choi and Gray, 2008; Danko et al., 2011). Examples of these activities include flex-time, product stewardship, ethical supply chain practices, and voluntary pollution reduction. The SE literature also organizes activities across business functional areas, where social, environmental, or sustainable practices can be observed. Smith and Sharicz (2011) note that as organizations shift toward triple bottom line sustainability, transitions will take place in: systems of governance, leadership, business plans and strategy, measurement and reporting, organizational learning, culture, information systems, and an efficiency shift in mind-set from cost cutting to value creating. There appear to be sufficient gaps in the literature to justify exploring how best practices can deliver a more strategic organizational design approach.

Figure 5 also adds financial sustainability (5b) to Hao's (2011) social impact (5a) as an outcome, as the SE literature clearly states that both social and financial outcomes are essential elements in SE. Finally, the model in Figure 5 acknowledges there is an additional layer of measurement to verify the scope of outcomes achieved and to provide feedback. Measurement systems, such as the Balanced Scorecard (Kaplan and Norton, 2001), 5 capitals model or the Global Reporting Initiative, have been applied to SE to assess whether and how they are delivering upon their blended value objectives.



(1) Enabling conditions
(2) Antecedents
(3) Inputs
(4) Practices
(1b) Cognitive Factors: Desire, Feasibility
(1c) Values-alignment and Cultural Acceptance
(1d) Legitimacy and Business Case
(2a) Natural Environment
(2b) Social/Eco Intra/ Entrepreneur
(2c) Social Environment
(2d) Institutional Environment
(3a) Natural Capital
(3b) Financial, Human and Social Capital
(3c) Financial, Human and Social Capital
(3d) Policy and Regulatory Support, Financial, Human and Social Capital
Social Entrepreneurship

Figure 5. A revised conceptual framework for social entrepreneurship

4 Conclusion

Drawing predominantly on the fields of social entrepreneurship and corporate social responsibility, this paper illustrated how related disciplines are attempting to integrate principles of shared value, including social and financial value, into new forms of organizational design. The paper expanded Alter's (2004) typology of social enterprise to include other emerging forms of organizational design. Figure 5 offers a new conceptual framework built on Hao's (2011) model for research on social entrepreneurship to illuminate some of the external and internal environments of these emerging hybrid organizations.

4.1 Practical Implications

As the SE sector attempts to define itself and emerge as an innovative approach to sustainably addressing social and environmental issues, it faces a number of challenges to growth, including: access to appropriate financing mechanisms, integrating values into practices, skills gaps, difficulties defining viable and achievable market niches, confusing or inappropriate legal structures, measurement of outcomes, and the lack of cohesive identity.

Because of their social return objectives and lack of sole focus on profits, traditional investors may shy away from SE. Conaty et al (2001) and Emerson (2003) note alternative financing mechanisms that could support the growth of the sector. These mechanisms include: venture philanthropy or strategic donations that seek to create social benefit and also foster financially sustainable practices, socially responsible investment tools, social business angels, social enterprise micro-credit, corporate partnership, mezzanine finance, community finance loans, and other approaches that are not widely utilized but exist in limited practice.

In practice, there are a number of emerging legal structures, some of which allow co-mingling of charitable donations and earned income to help address some of the capital challenges. These structures include the B corporation (Holbrook, 2010) and the low profit limited liability (L3C) in the US, and the Community Interest Company in the UK (Low, 2006). However, Trexler (2008) and Cornelius (2008) note that SE utilizes a language of social benefit, but often fails to integrate these concepts and deliver this value internally or to change basic organizational behaviour. This calls into question whether SE does, in fact, offer distinct organizational models that can deliver social and financial value.

Illustrating how these seemingly new and distinct business models operate can serve as a roadmap for organizations that aspire to achieve financial profitability and positive social impact. Understanding how social entrepreneurship reframes corporate strategy, organizational design, and operating practices to approach new market opportunities may create best practice models for social intra/entrepreneurs and managers. Further research into how and whether organizations define, measure and balance the tensions between social and financial outcomes can potentially help practitioners in mobilizing greater institutional or social environmental resources and support.

4.2 Limitations and Directions for Future Research

Rao et al (2000) notes that for new and emerging organizational forms to gain legitimacy, they must obtain socio-political legitimacy, conforming to legal standards and gaining the support of powerful actors, as well as constitutive legitimacy, where organizational standards and forms become taken-for-granted and part of social norms. However, observations in the literature point to gaps in understanding the frameworks that enable new blended value organizations to emerge from a relatively unsympathetic environment, where capitalism and singular motives remain the dominant paradigm. Standard economic theory holds that pioneers and new entrants in an industry incur the costs of legitimizing the new organizational form. If this is the case, then the question remains as to what conditions are supporting the growth of a new sector of the economy, which bears the burden of investing additional resources to legitimize seemingly distinct new organizational forms.

This paper offers a conceptual framework to advance further studies of an emerging phenomenon, social entrepreneurship. Future empirical research could test this model using case studies, interviews, surveys or other approaches to clarify and illuminate the pre-conditions, activities and outcomes of SE. As a relatively new and emerging field of study, SE merits further research that can contribute toward clarifying definitional debates, taking a cross-disciplinary approach to explore the enabling conditions, practices, outcomes, and measurement components to understand how, why, and what these hybrid organizations are and to accelerate their impact of delivering shared social and economic value. Additionally, the SE literature offers gaps in the application of theory from sociology, political theory, economics, and other areas to gain insight into this phenomenon.

5 References

Alter, K. (2004). Social Enterprise Typology. Retrieved from https://wiki.brown.edu/confluence/download/attachments/33494/setypology-1.pdf?version=1&modificationDate=1251546806000

Alvord, S., Brown, D., & Letts, C.W. (2004). Social Entrepreneurship and Societal Transformation: An Exploratory Study. *The Journal of Applied Behavioral Science, 40*(3), 260-282.

Banks, J.A. (1972). *The sociology of social movements.* London: Macmillan for the British Sociological Association.

Barraket, J. (2012). Personal communication. Melbourne, Australia.

Birkin, F., Cashman, A., Koh, S.C.L., & Liu, Z. (2009). New sustainable business models in China. *Business Strategy and the Environment, 18*(1), 64-77.

Bornstein, D. (2004). *How to change the world: social entrepreneurs and the power of new ideas.* Oxford; New York: Oxford University Press.

Bowen, H.R. (1953). *Social Responsibilities of the Businessman* (1st ed.). New York: Harper.

Bruntland, G.H. & WCED. (1987). *Our common future.* Oxford; New York: Oxford University Press.

Bull, M. & Crompton, H. (2006). Business practices in social enterprises. *Social Enterprise Journal, 2*(1), 42.

Carroll, A., & Shabana, K. (2010). The Business Case for Corporate Social Responsibility: A Review of Concepts, Research and Practice. *International Journal of Management Reviews, 12*(1), 85.

Chell, E. (2007). Social enterprise and entrepreneurship: towards a convergent theory of the entrepreneurial process. *International Small Business Journal, 25*(1), 5(19).

Choi, D.Y., & Gray, E.R. (2008). Socially responsible entrepreneurs: What do they do to create and build their companies? *Business Horizons, 51(*4), 341.

Conaty, P., Mayo, E., McGeehan, S., & Sattar, D. (2001). Homeopathic Finance: Equitable Capital for Social Enterprises.

Cornelius, N., Todres, M., Janjuha-Jivraj, S., Woods, A., & Wallace, J. (2008). Corporate Social Responsibility and the Social Enterprise. *Journal of Business Ethics, 81*(2), 355.

Danko, A., Brunner, C., & Kraus, S. (2011). Social entrepreneurship: an overview of the current state of research. *European Journal of Management, 11*(1), 82(10).

Dart, R. (2004). The Legitimacy of Social Enterprise. *Nonprofit Management and Leadership, 14*(4), 411.

De Bakker, F. G. A., Groenewegen, P., & Den Hond, F. (2005). A Bibliometric Analysis of 30 Years of Research and Theory on Corporate Social Responsibility and Corporate Social Performance. *Business & Society, 44*(3), 283-317.

Dees, J. & Anderson, B. (2003). Sector-bending: Blurring lines between nonprofit and for-profit. *Society 40*(4), 16-27.

Diochon, M., & Anderson, B. (2009). Social enterprise and effectiveness: A process typology. *Social Enterprise Journal, 5*(1), 7-29.

Drayton, W. (2002). The Citizen Sector: Becoming as competitive and entrepreneurial as business. *California Management Journal.*

Drucker, P.F. (1984). The New Meaning of Corporate Social Responsibility. *California Management Review, 26*(2), 53.

Dyllick, T., & Hockerts, K. (2002). Beyond the business case for corporate sustainability. *Business Strategy and the Environment, 11*(2), 130.

Eisler, R. T. (2007). *The real wealth of nations: Creating a caring economics* (1st ed.). San Francisco, CA: Berrett-Koehler Publishers, Inc.

Elkington, J. (1997). *Cannibals with Forks: The triple bottom line of 21st century business.* Chichester: Capstone Publishing.

Emerson, J. (2003). The Blended Value Map: Tracking the intersects and opportunities of economic, social and environmental value creation. *www.blendedvalue.org.*

Fowler, S. & Hope, C. (2007). A Critical Review of Sustainable Business Indices and their Impact. *Journal of Business Ethics, 76*(3), 243.

Freeman, R. (1984). *Strategic management: A stakeholder approach.* Boston: Pitman.

Frosch, R. A., & Gallopoulos, N.E. (1989). Strategies for manufacturing: wastes from one industrial process can serve as raw materials for another, thereby reducing the impact of industry on the environment. *Scientific American, 261(*3), 144(149).

Gansky, L. (2010). *The mesh: why the future of business is sharing.* New York: Portfolio Penguin.

Goldstein, J., Hazy, J. & Silberstang, J. (2008). Complexity and Social Entrepreneurship: A fortuitous meeting. *Emergence: Complexity and Organization, 10*(3), 9.

Gompers, P., & Lerner, J. (2004). *The venture capital cycle* (2nd ed.). Cambridge, Mass.: MIT Press.

Grayson, D. (2010). *Social intrapreneurship: An extra force for social innovation.* Paper presented at the 2010 CSI International Research Conference Proceedings, Intersecting Transformations: Business and the Third Sector, Sydney, Australia.

Gunningham, N., Kagan, R.A., & Thornton, D. (2004). Social license and environmental protection: Why businesses go beyond compliance. *29 Law & Soc. Inquiry 307.*

Hao, J. (2011). A conceptual model for social entrepreneurship directed toward social impact on society. *Social enterprise journal, 7*(2), 130-149.

Haugh, H. (2012). The importance of theory in social enterprise research. *Social Enterprise Journal, 8*(1), 7-15.

Hawken, P. (1993). *The ecology of commerce: a declaration of sustainability.* (1st ed.). New York: NY Harper Business.

Hawken, P., Lovins, A., & Lovins, H.L. (1999). *Natural Capitalism: Creating the next industrial revolution.* New York; Little Brown and Company.

Heerema, D. L., & Giannini, R. (1991). Business Organizations and the Sense of Community. *Business Horizons, 34*(4), 87.

Holbrook, E. (2010). Rise of the B Corp. *Risk Managmeent, 57*(7), 12.

James, E., & Rose-Ackerman, S. (1986). *The nonprofit enterprise in market economics.* Chur, Switzerland: Harwood Academic Publishers.

Kaplan, R.S., & Norton, D.P. (2001). Transforming the balanced scorecard from performance measurement to strategic management: Part II. *Accounting Horizons, 15*(2), 147.

Kleine, A., & von Hoff, M. (2009). Sustainability-Driven Implementation of Corporate Social Responsibility: Application of the integrative sustainability triangle. *Journal of Business Ethics, 85*, 517.

Kramer, M.R. (2012). Personal communication, creating shared value conference, Melbourne, Australia.

Leadbeater, C. (1997). The Rise of the Social Entrepreneur.

Leviner, N., Crutchfield, L.R., & Wells, D. (2005). Understanding the Impact of Social Enterpreneurs: Ashoka's answer to the challenge of measuring effectiveness. Retrieved from http://www.ashoka.org/sites/ashoka/files/UnderstandingtheImpactChapterPDF.pdf

Lewin, A.Y., Long, C.P., & Carroll, T.N. (1999). The coevolution of new organiztaional forms. *Organization Science, 10*(5), 535.

Low, C. (2006). A framework for the governance of social enterprise. *International Journal of Social Economics, 33*(5/6), 376.

Loza, J. (2004). Business-Community Partnerships: The Case for Community Organization Capacity Building. *Journal of Business Ethics, 53*(3), 297-311.

Mair, J., & Marti, I. (2006). Social entrepreneurship research: A source of explanation, prediction, and delight. *Journal of World Business, 41*(1), 36-44.

Massetti, B. (2008). The Social Entrepreneurship Matrix as a "Tipping Poin" for Economic Change. *E: CO 10*(3), 1-8.

Nicholls, A. (Ed.). (2006). *Social Entrepreneurship: New Models of Sustainable Social Change.* Oxford: Oxford University Press.

Nordhaus, W. (1994). *Managing the Global Commons: The economics of climate change.* Cambridge, Mass: MIT Press.

Pepin, J. (2005). Venture capitalists and entrepreneurs become venture philanthropists. *International Journal of Nonprofit and Voluntary Sector Marketing, 10*(3), 165.

Peredo, A.M., & McLean, M. (2006). Social Entrepreneurship: A critical review of the concept. *Journal of World Business, 41*(1), 56-65.

Pigou, A.C. (1962). *The Economics of Welfare.* (4th ed.). MacMillan.

Pinchot, G. III. (1983). Intrapreneurship: How firms can encourage and keep their bright innovators. *International Management, 38*(1), 11.

Porter, M. & Kramer, M. (2006). Strategy & Society: The link between competitive advantage and corporate social responsibility. *Harvard Business Review, 84*(12), 78.

Porter, M. & Kramer, M. (2011). Creating Shared Value. *Harvard Business Review, 89*, 64.

Prahalad, C.K., & Hammond, A. (2002). Serving the world's poor, profitably. *Harvard Business Review, 80*(9), 48-57.

Putnam, R.D. (2000). *Bowling Alone: The collapse and revival of American community.* New York: Simon & Schuster.

Rao, H., Morrill, C., & Zald, M. (2000). Power Plays: How social movements and collective action create new organizational forms. *Research in Organizational Behavior, 22,* 237.

Robins, L. (2008). Making Capacity Building Meaningful: A framework for strategic action. *Environmental Management, 42*(5), 833-846.

Robins, N., & Krosinsky, C. (2009). After the credit crunch: the future of sustainable investing. *Public Policy Research, 15*(4), 192-197.

Robinson, J. (2004). Squaring the circle? Some thoughts on the idea of sustainable development. *Ecological Economics, 48*(4), 369.

Saul, J. (2011). *Social Innovation, Inc.: 5 strategies for driving business growth through social change.* (1st ed.). San Francisco: Josey-Bass.

Schaltegger, S., & Wagner, M. (2011). Sustainable entrepreneurship and sustainability innovation: categories and interactions. *Business Strategy and the Environment, 20*(4), 222.

Schumpeter, J.A. (1994). *Capitalism, Socialism and Democracy.* (5th ed.). London: Routledge.

Senge, P.M, Lichtenstein, B., Kaeufer, K., Bradbury, H., & Carroll, J. (2007). Collaborating for Systemic Change. *MIT Sloan Management Review, 48*(2), 44.

Simanis, E., & Hart, S. (2009). Innovation from the Inside Out. *MIT Sloan Management Review, 50*(4), 77-86.

Smith, P., & Scharicz, C. (2011). The shift needed for sustainability. *The Learning Organization, 18*(1), 73.

Stiglitz, J. (1998). *More instruments and broader goals moving toward the post-Washington consensus.* Paper presented at the 1998 WIDER annual lecture.

Stubbs, W. (2010). Sustainability as a Business Model. In J. Stoner & C. Wankel (Eds.), *Global Sustainability as a Business Imperative* (pp. 33-53). New York: Palgrave Macmillan.

Stubbs, W., & Cocklin, C. (2008a). An Ecological Modernist Interpretation of Sustainability: The case of Interface Inc. *Business Strategy and the Environment, 17*(8), 512.

Stubbs, W., & Cocklin, C. (2008b). Conceptualizing a "Sustainability Business Model." *Organization & Environment, 21*(2), 103.

Trexler, J. (2008). Social Entrepreneurship as an Algorithm: Is social enterprise sustainable? *E:CO, 10*(3), 65-85.

Tsvetkova, A., & Gustafsson, M. (2012). Business models for industrial ecosystems: a modular approach. *Journal of Cleaner Production, 29-30,* 246-254.

Waddock, S. (2010). *Imagining corporate responsibility in 2020: What roles for civil society and community?* Paper presented at the 2010 CSI International Research Conference Proceedings: Intersecting Transformations: Business and the Third Sector, Sydney, Australia.

Weerawardena, J., McDonald, R., & Sullivan Mort, G. (2010). Sustainability of nonprofit organizations: An empirical investigation. *Journal of World Business, 45*(4), 346-356.

Yunus, M. (2010). *Building social business: The new kind of capitalism that serves humanity's most pressing needs.* (1st ed.). New York: Public Affairs.