

# Sustainability of Social Enterprises – A Review of Literature

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## ABSTRACT

Social problems have become more pressing and the awakening in people has become stronger. Not all issues can be touched upon by our elected government as the problems are wide-spread and deep rooted. This is where the social enterprises play a huge role in addressing the social issues with an entrepreneurial attitude. They bring in innovative solutions to long prevailing problems in our society. This article presents a review of literature that has explored the sustainability of social enterprises. The major factors that have been identified are the strength of the mission undertaken, the networks of the social entrepreneurs, the extent of revenue that the venture is able to generate and the perception that the SE creates among the stakeholders.

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## 1. Introduction

Social entrepreneurship is a practice that intends to advance inclusive societies by creating innovative solutions to societal problems. The role of social entrepreneurs gained momentum as they presented themselves as solution providers to even out the disparities created due to the fast-paced developments.

Traditionally businesses were considered as profit-making enterprises and the non-profit organizations were considered as those that will work towards tackling the societal challenges. Though the third sector did try to play a significant role in addressing social problems, issues such as lack of professionalism, accountability and heavy reliance on donors limited its efficiency.

Despite the proliferation in number, these organisations failed to create an impact or solve the underlying social problems. The need of the hour was to create organisations that would be equipped to create innovative products or services that would be sustainable to social problems. This led to the creation of social enterprises (SE).

Social entrepreneurs are unique as they possess not only the qualities of an entrepreneur but also the passion to provide solutions to societal problems (Austin et al., 2006). They identify a need, gap and opportunity, mobilise people and allocate the required resources to provide solutions to the identified problems.

The domain of social entrepreneurship has evolved over the years since the term was coined in 1980. Today the term encompasses 'any' social value creating activity that can occur within or across non-profit, business and public sectors (Austin, 2006). Social enterprises are now viewed as hybrid organisations that combine structural elements from non-profit, for-profit and/or the public sector organisations. These structures are developed by social entrepreneurs depending on the social mission and ease of obtaining finance for their mission (Kickul and Lyons, 2016). Though various perspectives have been adopted by various authors, the key feature is the creation of social value by solving an underlying

social issue. In recent years social innovation has also been cited as an essential phenomena. This concept put forth by Ashoka, considers social entrepreneurs as change agents by proposing innovative products/services/processes that easily eliminate social problems. Though achievement of both the social and economic goals appears to be counter-intuitive, it is this feature, especially the commercial orientation that enhances the sustainability of social enterprises.

As social enterprises are viewed as complementary to the government in promoting social welfare there is an increasing attention on these enterprises. As the number of SEs are also increasing, understanding the factors that influence SE sustainability is therefore pertinent to policy makers and SEs. Though these enterprises are created for noble causes, only when they are sustainable there would be significant impact created. The creation of a sustainable SE is therefore important.

This paper intends to review the existing literature in the domain of social entrepreneurship and to highlight the most prominent factors that have been identified as significant to sustainability. The article also throws light on the major challenges/factors that hinder the sustainability of the social enterprise.

## 2. Sustainability of Social Enterprises

Sustainability in the most generic form includes social, economic and environmental attributes (Elkington, 1997). In the context of social enterprises the concept of organisational sustainability focuses on the balance between the social and commercial objectives (Doherty et al., 2014). Several research studies have highlighted that the key to remain sustainable is to ensure commercial sustainability (Chell, 2007).

Prior research studies have identified numerous key factors that are essential for a SE to remain sustainable. Obtaining resources (Doherty et al., 2014), developing social networks (Haugh, 2009; Meyskens et al., 2010), focus on commercial orientation (Dees, 1998; Chell, 2007) and maintaining legitimacy (Dacin et al., 2010; Sharir et al., 2009) are some of them.

Sustainability refers to the ability of the organization to endure overtime. In the case of SEs this depends not only on the financial endurance but also on the endurance of the 'purpose' for which the organisation was established. The concept of sustainability of a SE arises only when the organisation has been able to prove that it is operationally viable and that it is possible to create an impact based on the its existence. The following are some of the factors that have been identified in prior research as key elements to ensure sustainability of SEs.

#### **Mission or Purpose of existence**

One of the key factors essential for a social enterprise to remain sustainable is the 'mission' itself. As these organizations are found to work for a certain social agenda, they have a reason for existence (Kickul and Lyons, 2016). However, social entrepreneurs do not necessarily follow the traditional process of idea generation - implementation.

Most of the social entrepreneurs gain ideas due to personal experiences, awareness or due to an inherent desire to solve social issues. The mission identified may therefore in many cases not fulfil the requirements of a commercially viable entrepreneurial idea. However, numerous social enterprises are clouded in ambiguity due to the incapability of the social entrepreneurs to distinguish between the social and economic goals and the ability to create products/services that satisfy both the goals. In most cases the ambiguity arises due to the lack of possibility to scale-up the operations (Bull and Crompton, 2006).

The scope of the mission therefore in many cases limits or inhibits the venture from achieving economic goals. Numerous studies have recorded that this leads to a 'mission drift' for the SEs (Doherty et al., 2014). In many cases this drift leads to the commercial objective overpowering the social objective. The purpose of the enterprise may not be achieved in such cases. The social entrepreneur may lose interest or the enterprise may lose its legitimacy as a social enterprise among the stakeholders.

#### **Stakeholder Perception**

The sustainability of a social enterprise depends not only on the strength of its mission but also on the perception that lies with the stakeholders (Suchman, 1995). SEs garner the needed support from the stakeholders due to their societal objective (Dart, 2004). This legitimacy determines the access to resources for a SEs (Sharir et al., 2009). The chances of survival also increase due to the perception that the SE is doing good to the society. Legitimacy thus not only enables efficient operations but also improves the chances of success of the SE (Dacin et al., 2010; Doherty et al., 2014). This perception provides motivation to the entrepreneur to pursue other opportunities that arise.

#### **Social Capital**

'Social capital' has been identified as an essential factor to ensure sustainability of SEs. This requires developing networks with various stakeholders in the society (Sabella and Eid, 2016). Social capital helps to create a system for nurturing existing relationships and also helps to adapt and evolve according to changing needs. This context would help the SE

to regain focus when in a dilemma. This would help the SE to develop the necessary capacity that is key to survival and growth. Social capital helps to mobilise the required resources to achieve their objectives (Fayolle, 2010). As in most cases this also helps to a great extent to garner the required resources and also helps in mediating between disconnected stakeholder groups (Burt, 1992). This would also help them in creating legitimacy among the stakeholders as they have varying interests and expectations (Moizer and Tracey, 2010). In some cases, social capital also helps to protect themselves from interference by powerful commercial and state interests (Nicholls, 2013).

#### **Financial Resources**

As the concept of social entrepreneurship insists on reducing the reliance on funding from donors/government, most of these organisations focus on creating financial sustainability by undertaking 'for-profit' or 'business-like' activities (Dart, 2004; Diochon and Anderson, 2009). In the context of social enterprises 'sustainability' has been equated to the status where the organisation is able to survive without relying on grant or funding. This scenario may not be possible for all enterprises from its inception stages. In a majority of cases, this is expected after 2-3 years of establishment. However, the sustained existence of the social enterprise primarily depends on the creation of surplus that would ensure the continuation of the services provided by the social enterprise. The availability of financial resources/investors, and potential for 'earned income' (Kickul and Lyons, 2016) are major factors that ensure survival and success.

Like any other venture the SEs also undertake business processes to ensure financial sustainability. The scalability of these ventures also depends on the ability of the SE to generate revenue. The focus in such cases shifts from the social objective to the economic objective. This might lead to potential 'mission drift' and as a result a loss in the legitimacy of the SE (Doherty et al., 2014). The extent of involvement of the social entrepreneur in the organisation and the ability to consistently provide sustainable solutions will ensure that the enterprise maintains a balance between the social and economic objectives. The stewardship behaviour embedded in the social entrepreneurs is imperative to this (Block, 1993).

#### **Other Resources**

Apart from the financial resources, garnering the required human capital and intangible resources (Doherty et al., 2014) is critical to ensure the sustenance of a SE. Acquiring the necessary human capital may be difficult as SEs may be viewed as having limited potential opportunities for career growth. Some research studies have indicated that leadership and managerial competency are two overlooked areas in SE (Coburn & Rijdsdijk, 2010; Lyon and Fernandez, 2012). Appropriate training is essential to create a conducive atmosphere for such organisational resources to remain and grow with the organization.

### **3. Conclusion**

Across the globe, there has been strong support to social enterprises and entrepreneurs from the government and policy makers (Rahdari et al., 2016). This is due to the undeniable

fact that social enterprises fill the void in developing innovative solutions to social and environmental problems that are missed by government and other commercial businesses. Despite the proliferation of the SEs many of them are not able to survive beyond a certain period due to various reasons. This paper has provided a brief on the various factors that literature has

identified as pertinent to SE sustainability. The fact that not just the social objective but that various other factors are also pertinent to the sustainability of the SE has been highlighted in all research articles in the domain of social entrepreneurship. Future research can focus on examining the extent of significance that social entrepreneurs accord to these factors.

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