# How Social Enterprises Acquire and Manage Resources

Chantelle Lincoln
MBUS Dissertation



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#### Chantelle Lincoln

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## Attestation to Authorship

I hereby declare that this submission is my own work and that, to the best of my knowledge and belief, it contains no material previously published or written by another person (except where explicitly defined in the acknowledgements), nor material which to a substantial extent has been submitted for the award of any other degree or diploma of a university or other institution of higher learning.

Chantelle Victoria Louise Lincoln

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## **Ethical Approval**

Ethics approval was granted by the Auckland University of Technology Ethics Committee (AUTEC) on the 20 August 2012, ethics application number 12/195.

A component of attaining ethics approval was on the basis that confidentiality of interview participants and their organisations was kept. Confidentiality and privacy of individuals and organisations have been maintained through the use of pseudonyms. This is to protect market sensitive information around organisational practices and strategies that could be detrimental to organisations/individuals if easily identified.

Any recordings or documents containing information will be identifiable by pseudonyms. The participant's identity and contact details will be kept in a secure file only accessible to the primary researcher on AUT premises for the duration stipulated by the ethics committee of a six year period before being destroyed.

Finally, I want to thank everyone who encouraged and believed in me during my unforgettable research experience, words alone cannot express how grateful I am.

### **Abstract**

The purpose of this dissertation is to explore how social enterprises acquire and manage resources. Using the definition proposed by Zahra, Gedajlovic, Neubaum & Shulman, (2009, p.521) social entrepreneurship is framed in the context of incorporating "actions and processes taken on to discover, define and exploit opportunities to enhance social wealth by creating new ventures or managing existing organizations in an innovative way". The resource based view and the notion of dynamic capabilities is used as a theoretical foundation for a multiple case study analysis.

Using a qualitative, inductive approach, three social enterprise cases are analysed to gain a deeper understanding around how resources are acquired and managed. Through inductive theory building, emergent findings were compared with existing resource based view and dynamic capabilities literature to form insights into relating concepts.

The research conducted indicate two broad themes: acquiring start-up resources and managing / configuring resources. From these two broad themes a series of patterns are revealed, describing key processes and strategies that span across cases. The findings, illustrate and support a resource based view of a social enterprise, extending our understanding of the resource based view in a social entrepreneurship context.

Furthermore, implications for the wider literature are put forth to extend our understanding of the acquisition and management of resources in social enterprises. In addition to these implications, suggestions for developing future best practices are expressed to encourage and support budding entrepreneurs in founding a social enterprise.

## Chapter One: Introduction

Social entrepreneurship (SE) has been around for centuries it is an important topic that has sparked on-going discussion and debate (Demirdjian, 2007; Peredo & Mclean, 2006; Mort, Weerawardena & Carnegie, 2002). Social entrepreneurship is a term widely used for businesses that take an innovative approach to not only doing business but also in developing solutions to various social problems throughout societies (Nicholls, 2006; Dacin, Dacin & Matear, 2010; Cox & Healey, 1998). The surge in social enterprises popping up globally has sparked large-scale interest and recognition on the global stage.

Many definitions of social entrepreneurship have been proposed by various authors, researchers and entrepreneurs alike. These definitions will be explored in some depth in the literature review. On a further note, the definition used within this study is consistent with one proposed by Zahra, Gedajlovic, Neubaum & Shulman, (2009, p.521) which explains that social entrepreneurship incorporates "actions and processes taken on to discover, define and exploit opportunities to enhance social wealth by creating new ventures or managing existing organizations in an innovative way". A social entrepreneur can be an individual, group, network, organization, or alliance of organizations that seek sustainable change through pattern-breaking ideas different to what and how governments, non-profit organizations and businesses do to address significant social problems (Noruzi, Westover & Rahimi, 2010; Thompson & Doherty, 2006; Cox & Healey, 1998).

Research on social entrepreneurship is needed to inform entrepreneurs contemplating social enterprise start-ups. For example, the New Zealand charities commission reveal 38% of all income generated from registered charities comes from service and trade, suggesting registered charities are engaging in social enterprise (NZ Charities Commission, 2010). The Social Enterprise Coalition states that within the UK, growth among social enterprises during the recession was significant in comparison with commercial SMEs. Scholars call for more research on this important yet under researched topic (Chell, 2007; Short, Moss & Lumpkin, 2009; Zahra et al., 2009; Corner & Ho, 2012; Nicholls, 2006; Dees, 2001). Replicating the innovative approaches and systems needed to initiate social change among market gaps, market failures and out-dated systems (Noruzi et al., 2010; Zahra et al., 2009; Austin, Stevenson & Wei-Skillern, 2006) is a desired achievement by practitioners to assist in dealing with many of the issues facing society to date such as poverty, housing, healthcare and so on. Research on the practice of SE, particularly on resource acquisition and resource management,

could assist in the development of best practices for social enterprises. In particular, Chell, Nicolopoulou & Karatas-Ozkan, (2010) explain that the extent to which 'best practices' from social entrepreneurship can be analysed and adopted is limited because no existing models and knowledge sharing vehicles yet exist for this kind of entrepreneurship, reiterating the need for more research.

Likewise, further research on how social enterprises acquire resources is needed to extend theory. For example, researchers suggest that resources and capabilities are acquired and managed by commercial and not-for-profit organizations in completely divergent ways (Austin et al., 2006; Kong, 2008). Extensive research exists on how commercial enterprises acquire resources; however there is little research investigating how social enterprises acquire and manage vital resources (Dacin et al., 2010). Such research would be important for the reason that creating an enterprise with a social purpose seems likely to provide new and innovative processes for acquiring tangible and intangible resources. As such, research on this topic could extend our current knowledge of the resource based view of a firm (Conner & Prahalad, 1996). It could address questions such as; how difficult are resources and capabilities to acquire for social entrepreneurs? How are resources strategically configured for the creation of future social value? And how important are dynamic capabilities for social enterprises? As these questions are pondered one thing becomes clear, more research is needed.

Therefore the purpose of this dissertation is to explore how social enterprises acquire and manage resources. Given the need for research to inform practice and theory, investigation of literature surrounding the resource based view of a firm and dynamic capabilities is undertaken. Through the collection and analysis of qualitative data, key themes and patterns are revealed. Subsequently, these themes and patterns contribute to our understanding of how social enterprises acquire resources as they solve important social problems facing society.

#### **Background**

Global population is on the rise and is estimated to reach 7.5 – 10.5 billion by 2050 (Bongaarts, 2010). Problems in society are likely to grow as resources; space, employment and money become constrained. With this being said, in the last few decades societal action has already evolved. A partial indicator of this was found by Austin et al., (2006) who claim that a surge in entrepreneurial activity with entrenched social purpose has increased by 31% between 1987 and 1997 – a huge growth in socially focused organizations.

Demirdjian (2007) states that throughout the ages only one thing has remained constant within societies across developing countries and that is the lack of adequate social services. Chell, et al., (2010) explain that social enterprises offer innovative solutions to help solve problems of social integration, social dysfunctional behaviour and socio-economic development. Though their specific goals vary, all social enterprises endeavour to enhance societal well-being in some way, driven more by their mission than the market or profit. (Harris, Sapienza & Bowie, 2009). Shaw & Carter, (2007) define social enterprises as being in the third sector which consists of a variety of organizational types. These organizations share a commitment towards addressing and tackling unmet social needs and are varied in the forms and structures they adopt, the activities they engage in and the client groups they serve. Yujuico, (2008) and Prahalad, (2000) emphasize that often social enterprises help those in need that government programs perhaps intended to but have failed to help. Some government agencies are cutting public spending on social services such as education and community development (Lasprograta & Cotton, 2003), consequently generating gaps and providing opportunities for social entrepreneurs to bring innovative ideas into the market. Drucker, (1993) similarly states that social enterprise and social innovation are seen to play an important role in addressing changes that are not easily solved by government policy interventions, or traditional not for profit and philanthropic approaches.

While the character of the social sector changes, we are all witnesses to the adoption of business methods and models into social sector domains. Changes include increased privatization of public services and business initiatives moving into organizations primarily targeting purposes other than economic gain (Woolcock, 1998). Once perceived as part of the problem, business is increasingly seen as a solution; admired for its dynamism, its market-discipline, its incentives for efficiency, innovation and its economically self-sustaining character (Harris et al., 2009). Paulsen & McDonald, (2010) explain that new forms of organizations emerge as government and community based organizations seek innovative solutions to the challenge of effective service-delivery, as well as approaches to address wider social change.

Authors such as; Dees, (2001); Mair & Marti (2004); Shaw & Carter, (2007); Thompson, (2002); Weerawardena & Mort, (2006) and Corner & Ho, (2012) similarly explain that the identification of opportunities to solve social problems or create social wealth is strongly embedded within social entrepreneurship.

For many entrepreneurs, commercial or social, implementing an opportunity after the discovery phase is a huge challenge (Short et al., 2009). Implementation involves acquiring and managing resources and can be a make or break point when founding an organization. Finding resources, strategically aligning them with organizational goals and ensuring they are sustained throughout the needed duration all remain key activities required for establishing a business (Shaw & Carter, 2007). Commercially focused businesses can often rely on feasible bank loans and personal and private investments as a starting point to get products and services out to the consumer (Zahra Gedajlovic, Neubaum & Shulman, 2009). Using a seed capital, entrepreneurs are able to recruit employees who portray the desired capabilities and skills needed to help the organization operate, in return they receive a competitive market rate wage. Unlike their commercial counterparts, social entrepreneurs looking to exploit opportunities often encounter social and institutional barriers such as gaining access to seed funding and other key resources (Alter, 2006; Robinson, 2006; Cooke, 2010).

In a commercial context, Gawer & Cusumano, (2002) and Takeishi, (2002) describe how literature on inter-firm resource / task partitioning indicate the need for a firm to develop capabilities to support the internal organisational activities it carries out. Research is growing which investigates how the management of resources and capabilities relate to the effectiveness of specific business processes, such as product innovation (Ray, Barney & Muhanna, 2004; Perks & Moxey, 2011), though there is no specific focus on social enterprises. Short et al., (2009) recommend that scholars use established theories to further explore the phenomenon of SE including: contingency theory, creation theory, discovery theory, innovation diffusion theory, resource dependence theory and other theoretical bases previously applied to strategic entrepreneurship research. Ideas and concepts should be tested, contrasted and pitted against each other, so that new, better ideas and paradigms can emerge (Bleischwitz, 2011). In addition to extending our knowledge of SE, such research would suggest practices that could be replicated and used dynamically within the social sector by entrepreneurs trying to solve further social problems. The need for further research within the social entrepreneurship context, particularly with respect to acquiring and managing resources is evident (Thompson, 2002; Dees 2007; Eisenhardt & Schooner, 1996).

That is why the question I aim to explore is:

#### How do social enterprises acquire and manage resources?

#### Scope of the study

The aim of this study is to examine how social enterprises acquire and manage their resources. Using a qualitative and inductive approach, a multiple case study analysis is conducted. Three cases of social entrepreneurship are analysed for patterns in resource acquisition and management (Larsson, 1993; Yin 2003). In so doing, four objectives for this research are as follows:

- Collecting data suitable for the stated research question.
- Surfacing patterns from the data that address the research question
- Comparing findings with the current literature
- · Posing further research questions for the reader

In the next chapter, key literature is explored to build an understanding of the body of research underpinning the research question. To provide a background to the research question, I review definitions and descriptions of SE and discuss the common difficulties faced with acquiring and managing resources within social enterprises.

## Chapter Two: Literature Review

Within this chapter, literature is explored to provide a foundation of knowledge building up to the research conducted in this dissertation. I first review definitions of SE followed by a more extensive observation of resources in SE and the difficulties faced in acquiring and managing resources for social entrepreneurs. I then discuss frameworks from the literature that have been used to conjecture about acquisition and management of enterprise resources including: the resource based view of the firm (RBV) and the notion of dynamic capabilities. To conclude, I identify current gaps in the literature that have called for further research around how social enterprise acquire and manage resources.

## Defining social entrepreneurship: Creating social value through a business model

Defining social entrepreneurship has never been a straight forward task. Nevertheless, to fully understand how resources are acquired and managed for social enterprises, we must first know what these organizations are. Leadbetter, (1997) state that significant efforts have been made to define social entrepreneurship, though there is no universally accepted definition. Shaw & Carter, (2007) agree and emphasize that one of the reasons why, is due to social enterprises being best characterized by their diversity and heterogeneity making them hard to categorize.

Definitions of social entrepreneurship tend to vary according to the perspective scholars take on this phenomenon. For example, Mair and Marti (2006) identify three broad perspectives creating different definitions as follows:

- 1. One perspective focuses on not-for-profit organizations and considers the initiatives taken for generating economic wealth to supplement more traditional funding from grants and donations (Austin et al., 2006; Weerwardena & Mort, 2006).
- Another perspective views SE as any socially responsible practice of for profit companies, especially those that stimulate cross sector partnerships (Hart & Dowell 2011; Paulsen & Mcdonald, 2010).
- A third perspective sees SE as addressing social ills and uplifting marginalized or disadvantaged groups (Zahra et al., 2009; Martin & Osberg, 2007).

Similarly, Stanford University has articulated three different perspectives on SE. The University's Social Entrepreneurship Initiative (SEI) argues for three perspectives including: 1) for-profit organizations that use their resources to creatively address social issues 2) not-for-profit organizations which help individuals establish their own small, for-profit businesses and 3) not-for-profit ventures that create economic value to fund their own programmes or to create employment and training opportunities for their target audience (Martin & Osberg, 2007). Again these different perspectives would give rise to somewhat different definitions of SE.

Within these broad perspectives, researchers have provided numerous definitions for SE and the reader is referred to some excellent reviews of these definitions (see Dacin et al., 2010; Zahra et al., 2009). For the purpose of this study, I adopt the definition proposed by Zahra et al., (2009, p.521) which states that social entrepreneurship incorporates "actions and processes taken on to discover, define and exploit opportunities to enhance social wealth by creating new ventures or managing existing organizations in an innovative way". This definition fits in most closely with Mair and Marti's (2006) third perspective on SE.

As SE continues to be a field of interest that crosses academic disciplines and challenges traditional assumptions of economic and business development (Dart, 2004; Leadbetter, 1997), perhaps development of a consensus definition can surface from examining the processes that drive social enterprise. In saying this, creating social wealth through innovative processes can be a difficult task (Domenico, Haugh & Tracey, 2010). In particular, exploration of processes for acquiring and managing the resources needed to adequately provide for a target market in the social sector, as done in this dissertation may help contribute towards such a definition (Mair & Marti, 2006; Martin & Osberg, 2007).

#### **Resources in Social Entrepreneurship**

Through history, social sector organizations have provided goods and services that presumably would not be adequate or properly provided if left up to the actions of private markets and profit seeking firms (Harris, et al., 2009). Increased competition for declining government funding and increased client demands have severely strained the resources of community-based agencies and service-providers (Paulsen & Mcdonald, 2010; Wolverton, 2003). Practical insights for social entrepreneurs looking to do more with fewer resources raises important theoretical questions for interested academics looking to investigate SE (Harris, et al., 2009).

Leadbetter (1997) argues that severe resource constraints hamper the operations of a welfare state and although social entrepreneurship offers innovative approaches, this phenomenon is also hindered by resource limitations. In fact, scholars claim that social entrepreneurs face more severe resource constraints than commercial entrepreneurs because they are often founding businesses in contexts where markets do not function and infrastructure is missing (Domenico et al., 2010; Alter, 2006; Mair & Marti, 2009). For instance, compensating employees as competitively as commercialized markets do is a struggle as it can compromise the financial viability of a social enterprise (Tashman & Marano, 2009). Measurability of social value created by the employee is often another constraint. Austin, et al., (2006) explain that many employees within social enterprises are unlikely to be in their role for monetary value and place considerable value on non-financial compensation from their work, such as social impact and customer satisfaction.

Tapsell & Woods, (2008) suggest that SE can be understood as dynamic social change resulting from innovation which takes the form of new combinations. SE is a different business model. Direct competition for resources with commercial enterprises can present social entrepreneurs with difficulties in acquiring resources and capabilities. Helfat & Peteraf, (2003) state that it is difficult for researchers to fully explain how firms use resources and capabilities to create value. Yujuico, (2008) explains that SE combines expertise and creativity to enable solutions in multiple areas where deprivation has left a mark. It looks at measuring an organisations success in terms of social well-being instead of economic returns (Domenico, 2010; Yujuico, 2008; Tashman & Marano, 2009). Witkamp, Raven & Royakkers, (2011) state that social entrepreneurs have difficulties obtaining funds from sources that commercial businesses find indispensable, namely banks and investors. This suggests that social entrepreneurs are less able to convince institutional actors that they are a good investment compared to commercial businesses because often they do not necessarily provide a monetary return. This brings to light the question of how do social enterprises acquire funding? They can't use conventional sources where return on investment is implicit. Harris, et al., (2009) emphasize that social enterprises often integrate commercial methods into core operations making them sensitive to market forces which can strain resources. Yujuico, (2008) discusses bricolage, a term used to explain the process of minimizing boundaries through intimate knowledge of resources, careful observation and listening, trusting in one's ideas and the use of self-correcting structures with feedback (Lasprogata & Cotton, 2003). Similarly, learning by doing, trial and error learning (Eisenhardt & Martin, 2000; Moorman & Miner, 1998) and improvising are used by commercial organizations to deal with difficulties in acquiring and managing key organization resources, changing demands and resource constraints. Some research suggests

these processes are also useful for acquiring and managing resources in social entrepreneurship (Domenico et al., 2010; Mair & Marti, 2009). Corner & Ho, (2010) emphasize that innovative ideas for social value creation and ways of implementing these happen over time with experimentation and refinement. Both new and established firms engage in experimentation often 'inventing' solutions to survive (Ahuja & Lampert, 2001).

To further understand the role of resources in SE, I consider the Resource Based View (RBV) of a firm in the next section and its potential significance for SE. The RBV provides a framework for considering how an enterprise's resources can be utilized to create value (Wernerfelt 1984; Penrose 1959). While it is most often applied to for-profit firms, it has been suggested as a useful framework for understanding how social enterprises acquire and manage resources (Mair & Marti, 2006; Weerawardena & Mort, 2006).

#### **Resource Based View and SE**

The idea of looking at firms as a broader set of resources goes back to the influential work of Penrose (1959) who explains that a bundle of resources that an organization has at a point in time limits the potential services and products it is able to produce. A firm is conceptualized as a collective or community, where people cooperate to create, transfer and exploit knowledge (Kogut & Zander, 1992) – the more effectively they do this, the more value they can create from resources such as machinery and raw materials. In the short-term, available resources limit the opportunities organizations can take advantage of (Wernerfelt, 1984). As an organization expands its resources and capabilities, the potential to exploit more opportunities and create additional value increases.

What characterize literature around the 'resource-based view' are not the differences in application, but rather the assumptions they share. Barney, (2001) states two of these assumptions include: resources and capabilities are heterogeneously distributed across organizations and form distinct differences across firms, and that they can help explain why some firms do better than others. From this perspective, the resource-based view consists of a rich body of related, yet distinct, theoretical tools which analyse firm level sources of sustained value.

Wernerfelt, (1984) explains that a firm is conceptualized as a pool of resources, and acquisition can be seen as a purchase of a bundle of resources in a highly imperfect market. When firms are in direct competition, inimitability becomes an important aspect for an organization as it provides them with a point of difference in the marketplace (Barney, 1991). The RBV suggests

that resources are more distinctive when they are scarce, hard-to-substitute and valuable (Barney, 1991; Penrose, 1959). Barney, (1991) explains that sustained value derives from the resources and capabilities a firm controls. RBV suggests that the most desirable resources are firm-specific intangible assets – including networks, relationships and knowledge. In particular knowledge that is distinctive, specialized and difficult to collect and sort into systems that can be used in the production of goods and services (Chisholm & Nielsen, 2009).

Recent scholars state that it is getting increasingly hard for organizations to retain value as acquisition of similar resources become easier for competing firms to acquire (Montealegre, 2002). By basing the acquisition of resources on a rare resource, assuming all things stay equal, maximizes this imperfection and the chances of creating value (Wernerfelt, 1984). Chisholm & Nielsen, (2009) explain that it would be too extreme to state that RBV offers the only explanation for the determination of "economic rents" – which Tollison (1982) describes as excess returns above normal levels that take place in competitive markets or more specifically excess returns of an organisations opportunity cost (Blyler & Coff, 2003). Additional factors such as industry structure, power over suppliers and customers, innovation and organizational governance mechanisms also play a role in determining profitability and value creation (Amit & Zott 2001; Mahoney & Pandian, 1992).

The RBV thus holds that a firm's distinctiveness lays primarily in the collection of valuable resources at its disposal (Barney, 1991). When these conditions are met, a firm is able to create business strategies that other organizations will find hard to duplicate (Nielsen, 2010; Grant, 1996). RBV explains important paths in creating value and success in more recent economic systems reliant on differentiated resources such as human expertise, organizational routines, reputation and relationships. Teece, Pisano & Shuen, (1997) express that the value of a firm is seen as resting on distinctive processes such as ways of coordinating and combining resources to shape asset positioning and essentially the path's it adopts for future growth. Whether and how a social enterprise's value becomes less effective depends on how stable the market demand is and how easily resources, both internal and external are replicable by competitors.

Integrating commercial practices into a social enterprise can be restricting for social entrepreneurs. The embedded social purpose can limit social entrepreneurs from accessing the same resources compared to commercial entrepreneurs (Austin et al., 2006). Therefore the viable methods of taking on more commercial models of business is dependent on structures and measures that allow a social enterprise to find cost-effective and efficient strategy that do not undermine its purpose or organizational integrity (Harris, et al., 2009). The

focus on capabilities stresses the distinctiveness of firm-specific abilities. The processes involved in running a social enterprise, the way resources are acquired and the culture and values adopted by the organisation overtime contribute to the overall value the organisation creates for society and its target market. In saying this, often success and failures depend on the finer details and only through exploring these can researchers develop theories that help practitioners. As a result, we look even deeper within the RBV towards dynamic capabilities.

#### **Dynamic Capabilities**

Recent research extends the RBV with the concept of dynamic capabilities. This concept has been defined in several different ways. The definition proposed by Zahra et al., (2006 p.156) offers a perspective defining dynamic capabilities as "the ability to reconfigure a firm's resources and routines in the manner envisioned and deemed appropriate by its principal decision-maker(s)." Another perspective is offered by Leonard-Barton, (1992 p.170) who defines dynamic capabilities as "the firm's ability to integrate, build and reconfigure internal and external competencies to address rapidly changing environments." Similarly, Helfat & Peteraf, (2003 p.4) propose an updated definition of dynamic capabilities that builds on recent research and fits the context of this dissertation. This definition states that "a dynamic capability is the capacity of an organization to purposefully create, extend or modify its resource base." While the differences in definitions are quite similar and overlap, one of the commonalities they share is the idea that dynamic capabilities ensure a firm is able to modify its resource base over time as environmental changes occur (Rindova & Kotha, 2001).

In saying this, dynamic capabilities enable firms to use their resources to create value. They differ from resources in that they reflect a firm's abilities to integrate, build and reconfigure resources so that they can perform distinctive activities (Teece, et al., 1997). Zahra et al., (2006) believe that the creation and use of dynamic capabilities are entirely dependent on the entrepreneur or innovative person(s) driving the idea. Similarly, Corner & Wu, (2011) state that dynamic capabilities in entrepreneurial firms are likely to be embedded in the entrepreneur and reflected in their actions and decisions. Penrose, (1959) supports this, explaining that the ability to use and grow dynamic capabilities is largely determined by motivation, skills and experiences of key people behind the idea being driven. These choices are shaped by entrepreneurs and managers views of their competitive arena, projections about the industry's evolution and beliefs about their ability to integrate the firm's capabilities to create value (Eisenhardt & Martin, 2000).

Tapsell & Woods, (2008) articulate that culture and heritage can influence the way entrepreneurs create value. Just like any person in a lifetime, entrepreneurs gather life experiences; both personal and professional learning's and knowledge that contribute to future decisions, paths and goals. The way an individual uses competency-building capabilities is diverse in the sense that it would be difficult for two people to ever have or construct the same experience and knowledge. Corner & Ho (2010) discuss 'experience corridors' which are used in the value creation process. These experience corridors suggest past life experiences create awareness of and information about particular areas that shape opportunity development. Similarly, implementation of processes in regards to the acquisition of resources involves some prior knowledge. Whether it is about the target market, the market environment, product suppliers, awareness of local competitors or so on, it contributes to the wider picture of value creation for an enterprise.

The ability to take advantage of opportunities using dynamic capabilities is highly influenced by the willingness of a firm to undertake change along with a firm's ability and capacity to implement these changes. Dynamic capabilities must be well-targeted and positioned within a firm in order to achieve strategic goals. They are most valuable when the external environment is changing rapidly or unpredictably (Schreyogg & Kliesch-Eberl, 2007). However, Zahra et al., (2006) argue that an unstable or changing environment is not a necessary component of a dynamic capability. With this in mind, firms that diversify using internal growth rather than acquisition may have developed dynamic capabilities for redeploying existing capabilities into multiple areas (Helfat & Peteraf, 2003).

Teece, et al., (1997) explain that the key step in building dynamic capabilities is to identify the foundations of distinct and difficult to imitate advantages that can easily be built, maintained and developed. Accordingly, they are brought about by social interaction and represent a collectively shared 'way of problem-solving'. Schreyogg & Kliesch-Eberl, (2007) explain that capabilities are developed in the context of organisational resource allocation that is embedded in idiosyncratic social structures. Therefore the management of these capabilities are critical in creating value for an organization (Cooke, 2010). Barney, (2001) suggests that because some resources and capabilities can only be developed over periods of time, it may not always be clear how to develop these capabilities in the short to medium term. Conflicts around the cautious use of resources often pressure entrepreneurs and managers to make difficult choices about when capabilities have been used to their full potential (Yujuico, 2008).

In an SE context, efforts to create social wealth by social entrepreneurs are risky activities that bring with them innovative processes and unique path dependencies (Zahra, et al., 2006).

Broberg & Krull, (2010) suggest that the changing market environments have resulted in the focus around the ability of organizations to be creative and innovative with their resources, both internally and externally. Likewise, dynamic capabilities are an underdeveloped topic in SE literature (Zahra, et al., 2006; Corner & Ho, 2010). The dynamic capabilities that social enterprises utilize develop and grow is an intriguing topic that needs to be further explored.

#### *Gaps in the Current Literature*

Current literature on resource based view and dynamic capabilities focus predominantly on the commercial context. Corner & Ho, (2010) explain that untethering SE from rational / economic assumptions may in time help challenge central concepts in commercial entrepreneurship research. Although this dissertation does not specially look to do this, it is still an important notion that could be addressed in another study.

Likewise, literature specifically focusing on the resource based view of social enterprises would be influential for practitioners and enhance the RBV literature. In a commercial context, Corner & Wu, (2011) reiterate that little is known about capabilities in younger firms and emerging markets, often the firms responsible for creating and shaping markets. With this in mind, there is limited research that examines the RBV in the context of social enterprises (Tashman & Marano, 2009).

Studies into SE have been focused more specifically on the entrepreneur rather than the processes involved within the venture (Corner & Ho, 2010; Robinson, 2006). Mair & Marti, (2006) state that knowledge on SE can only be enhanced by the use of a variety of theoretical lenses and a combination of different research methods examining practice.

In saying this, the changing market environment has led to an increased focus on how organizations develop and grow capabilities (Hamel & Prahalad, 1994; Hogan & Kaiser 2005; Yujuico, 2008). Research gaps exist among studies into dynamic capabilities in a SE context. Exploring the role of dynamic capabilities would ensure a foundation is created for theory building among SE literature. Schreyogg & Kliesch-Eberl, (2007) explain that in strategic management, organisational capabilities are portrayed as critical success factors for an organisation. Commercially, almost every organisation wants to be perceived as being capable of doing something unique. Controversially, social enterprises have received much attention for its innovation, diversity and value creation techniques. This is why the exploration of dynamic capabilities is important for SE. Many critical success influences of social enterprises are unknown due to the limited exploration into the emergent field.

The exploration of how social enterprises acquire and manage their resources is a topic that remains under-researched (Dacin et al., 2010). By applying some concepts used to understand commercial organisations to social enterprise, this dissertations aims to increase understanding around how social enterprises operate. In order to answer the research question of: "How do social enterprises acquire and manage resources?" an inductive multiple case study method was adopted.

## Chapter Three: Research Method

This chapter details the research methods adopted to address the research question of how do social enterprises acquire and manage resources. First, the constructivist-interpretivist paradigm guiding the research is described and then I outline the qualitative, multi-case study research design. Subsequently a detailed description of data collection methods and data analysis techniques adopted is given.

This dissertation adopts a constructivist-interpretivist paradigm (Denzin & Lincoln, 1994). The research thus reflects the notion that multiple realities or a diverse range of interpretations of the world exist. These realities are socially constructed by the individuals within the world (Marshall & Rossman, 1989); and knowledge is gained through interpreting the subjective meanings of the different individual experiences (Maxwell, 1992). The intention of this dissertation is to interpret or make sense of how participating organisations subjectively understand the acquisition and management of resources for their social enterprises. The chosen paradigm thus is a more appropriate perspective to apply to the research than a positivist approach which applies scientific methods to objectively answer a priori conjectured hypotheses (Bryman & Bell, 2007). With research around acquisition and management of resources in social enterprises being highly undeveloped, context-specific research into cases deemed necessary (Yin, 2009). This meaning that the actions taken by entrepreneurs could only fully be understood through exploring the concepts and actions taken by those involved (Bryman & Bell, 2007).

#### **Research Design**

This study uses a qualitative, inductive research design. Bryman & Bell, (2011) explain that a qualitative approach allows for generation of theory, generalizability and a deeper understanding of research participants' perspectives. Additionally an inductive approach is commonly used to examine under-researched and poorly understood phenomena like how resources are acquired in social entrepreneurship (Eisenhardt & Graebner, 2007). The question guiding this study is an important aspect into discovering the key mechanisms that contribute towards SE literature. Denzin & Lincoln, (1994) explain that 'how' and 'why' questions are often used to answer questions of phenomenon that look to create understanding around emergent areas such as acquisition of resources in SE.

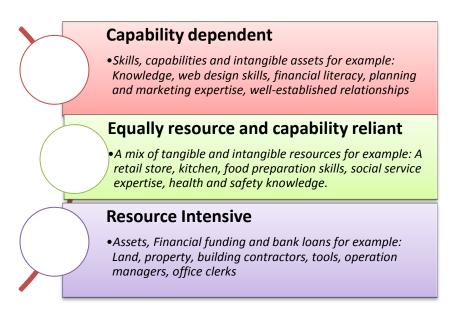
A multiple case study approach is implemented to explore the research question. It enables exploration of a phenomenon from the point of view of participants (Taylor, & Bogdan, 1984; Yin, 2003) and allows induction of patterns in resource acquisition and management across cases (Eisenhardt & Graebner, 2007). Multiple case studies allow the application of replication logic. This ensures that each case is treated as a separate entity that enables replication and testing of surfacing theory among research.

#### **Research Cases**

Yin (2003) states that cases must be selected using a screening process guided by a defined set of operational criteria. The specific criteria used in this research were as follows. First, all cases had to represent social enterprises, no commercial organizations were appropriate. In particular, cases had to reflect social entrepreneurship as defined by Zahra et al. (2009). Secondly, the organisation had to be a growing business to try to ensure it was successful.

Beyond this basic criterion, cases were selected to provide a sampling of cases along a spectrum that ranged from tangible resource reliance on one end to reliance predominantly on capabilities at the other end (Figure 1). On one extreme, resource intensive indicates the participating organization as heavily dependent on resources such as assets, land and funding. While on the other extreme, capability dependent indicates the participating organization as being more reliant on skill and knowledge based resources such as; web-design skills, networks, planning and event management capabilities.

Figure 1: Resource Reliance Scale



Additionally, the three enterprises selected are from differing industries to provide insight into different types of social enterprises and to enhance generalizability of results (Yin, 2009). The careful selection of each case allows replication logic to be used to predict similar or contrasting results. This enables each case to be treated as an experiment and was used to explore emerging insights and practices (Yin, 2009).

#### **Data Collection**

The data collected was obtained from three sources. The first source was primary data collected through the method of semi-structured interviews. The structured process of the interviews provided consistency across participants but also allowed room for flexibility to explore idiosyncratic issues that arose throughout the interviews (Bryman & Bell, 2007). Cases were chosen through the exploration of social enterprises within my personal and professional networks. Once a list of potential cases were chosen, interviewees followed by default. All interviewees were either the key social entrepreneurs behind the idea or managers involved directly with acquiring and managing organisational resources. Interviewees were contacted through email asking whether they would like to participate in research around social enterprises specifically focusing on resources. Interviews were held at locations interviewees chose; which predominately were the main offices of the organization they were representing. Interviews were between 60 - 90 minutes, depending on the willingness to share information from interviewees.

The semi-structured interviews consisted of questions enquiring into the processes and actions taken to acquire and manage resources for their enterprises. Questions focused on issues of resources, internal/external capabilities, difficulty of resource acquisition and future growth outlook in order to get the evidence required to address the research question. Having a guide of topics along with indicative questions ensured the interview process could flow effortlessly without too much focus on the topics needing to be addressed (Rowley, 2012).

The second source of data collected was field notes. Field notes were compiled in the process of case selection and during the interviewing process. Field notes were also taken to assist with follow on questions that needed to be posed throughout the interview process.

The third source of data collected was through secondary sources. Secondary data was used to enrich the cases and enhance the reliability and robustness of the primary data collected. These sources included websites, trade publications and relevant power point presentations created and used by interviewees for conferences and events. The secondary data filled in

missing gaps and was used to ensure a full understanding of the organisational purpose, current services and operations and value being created could be gained. Yin, (2009) clarifies that having an array of sources as evidence helps build solid cases and assists the validity of information collected.

Primary data collected was validated through email correspondence. The transcripts of interviews were sent to interviewees for verification. For matters of interpreting interviewee's meaning in the context they intended, it was asked that they read over the transcript and ensure the content was in the matter they remembered from the interview. Below (Table 1) provides an overall description of cases and key information relating to resources. The description of cases served as a starting point for cross-case analysis of the primary interview data.

Table 1: Case descriptions

Cases	Purpose	Target group served	Resources / Capabilities	Opportunity Types
Creative Inc.	Enabling community communication	Community groups and not for profit organizations, nationally	Capabilities reliant (Computers, knowledge, planning, design)	Enhancement of practices in social sector
Café Inc.	Low-cost, quality food and social services	The poor and marginalized in Auckland	Equally resource and capability dependent (Café with a kitchen, office, food knowledge, marketing)	Reconfiguration of not for profit model
Housing Inc.	Providing affordable housing options	Families / Communities, nationally	Resource Intensive (Contractors, land, office, building material, funding, operations management)	Gap in the housing market

#### **Data Analysis**

The analytical goal was to identify patterns that addressed the research question of 'how do social enterprises acquire and manage resources?' An inductive approach was adopted where a case analysis was completed to identify patterns in the data (Eisenhardt & Graebner, 2007).

Tables and the use of software such as Nvivo were used to facilitate the analysis process. As is appropriate for inductive theory building, interchanging between emerging findings and the existing literature (Eisenhardt & Graebner, 2007) were performed to enhance the robustness of the findings and discussion. It also provided a comparison for insights relating to concepts around RBV and dynamic capabilities. As patterns emerged through primary data, secondary data sources were added to develop stronger illustrations of patterns. Comparisons were made initially between cases, where notable discrepancies and similarities were noted and are discussed in the next few chapters.

## **Chapter Four: Findings**

Throughout this chapter, key findings from the research conducted will be discussed with examples and tables to illustrate answers to the research question of how social enterprises acquire and manage resources. The findings are reported under two broad themes as follows: acquiring start up resources and managing / configuring resources. Under each broad heading, I report a series of patterns that provide further detail and analysis of how cases have acquired and managed their resources, according to the cross case analysis conducted.

#### **Acquiring Start-up Resources**

Across cases, patterns emerged around how organisations acquired the start-up resources needed to found their venture. (Table 2) presents these patterns in more detail. The first two patterns pertain to financial resources and describe sources of funding for the cases including: philanthropic sources, loans and debt. The third pattern is about a key non-financial resource needed which was founders' experience and knowledge. The fourth pattern describes how networks were used to source resources for the fledgling venture.

Table 2: Patterns in Start-up Resources

Case	Philanthropic Sources	Commercial Loans, Investors & Debt	Existing Knowledge Resources	Networks
Housing Inc.	-Philanthropic organisations sponsor enterprise financially – The Tindall foundation, Housing New Zealand Corp (HNZC) -Donations include financial funds and resources such as land and property	-Loans, working capital and investments are acquired from banks, philanthropic organisations and government such as ASB Community Trust, The HNZC innovation fund and The Housing Innovation FundCommercial loans are acquired from ASB and Kiwi Bank -Loan repayments are made once houses are sold, any excess funds go back into enterprise to build more houses	-Previous knowledge in property industry and housing market -Previous experience creating affordable housing strategies in local and overseas markets -Previous philanthropic work in the housing sector	-Networks with various housing organisations to help affordable housing strategies such as Habitat for Humanity, The Salvation Army, Auckland Community Housing Trust, Community of Refuge Trust
Café Inc.	-Philanthropic parent organisation funds 50% of on-going operations where repayment is not required. -Grants from organisations such as the Vodafone Foundation	-Seed capital loan from parent organisation (Repayments over 5 years that go back to parent organisation to fund future projects)	-Previous experience in running a not for profit soup kitchen -Previous social work knowledge and experience -Previous hospitality knowledge and expertise	-Local networks and regular customers act as advertising through word of mouth -Access to parent organisation's networks such as The Trusts Community Foundation, The Lion Foundation, Family and Community Services, Lottery Grants Board -Community engagement, speaking at conferences and networking at events enables collaborative efforts to prevent homelessness and address issues that cause homelessness
Creative Inc.	-Philanthropic organisations are essentially clients therefore providing a source of income for the enterprise -Organisations such as Oxfam, Fair Trade Auckland and PIYN – British Council.	-None -Personal savings of approximately \$20,000 were used during the initial start-up phase	-Previous experience in global not for profit network around communication, creative media and design -Knowledge around design, creative marketing, event managements and PR -Previous experience in freelancing roles, working for large corporations and PR agencies.	-Cross sector networks with education, industry and community with organisation's such as: AUT University, Fair Trade Auckland, Rainbow Youth, P3 Foundation and local government -Collaborative networks that involve cooperative efforts on projects such as Live below the line, Community, neighbor's day and Lifewise big sleep out

#### **Philanthropic Sources**

Founders relied on philanthropic sources of funding when establishing enterprises (see Table 2). Philanthropic sources can include resources from not for profit organisations, trust grants, and private contributions given for no compensation.

#### Café Inc. explains:

We're doing the hard work because we're trying to maintain the social essence or its value as well as trying to see how much more commercially viable we can make it as well, it's a hard process that we can't do alone.

Café Inc., an enterprise that is part of a larger philanthropic organisation identified their parent organisation as currently funding 50% of their on-going operations. This is for the reason that Café Inc.'s services tie in with the parent organisations values that they support and strongly believe in. Café Inc.'s parent organisation is a not-for-profit community and social development agency that provides critical services to vulnerable and at risk people of all ages and look to initiate new ways of solving some of the challenging social issues that remain a part of our society. It is stated that their funders are usually those organisations that understand their social mission, have financial funds that support the projects being implemented and see the value being created by the organisation. With this being said, Café Inc. also has access to wider philanthropic sources such as those connected to its parent organisation. They are able to approach and utilize these philanthropic organisations for support and financial resources if there is a need for it. With this being said, philanthropic resources were merely one method of acquiring start-up resources across cases multiple methods were used including loans and investors.

#### Loans, Investors and Debt

Loans and investors were another method of financially funding the start-up enterprises represented by cases. Housing Inc. acquired commercial loans from banks and investment organisations in the initial start-up phase of operations and during times where cash-flow and resources are low. The enterprise had some initial resources such as existing land and property; however funding was needed to acquire other resources necessary for the enterprise such as an office space, materials, and intangible resources such as labour and expertise. Commercial loans are granted because of the physical assets the enterprise have available such as land and property. It was said that banks see Housing Inc. as a feasible enterprise to invest funds in because they are able to provide the bank with proof of assets

intended for generating income. Housing Inc. explains that one of their hallmarks is that they operate like a private developer.

That's how we operate, we go out there and compete with private developers to buy the land and then sell the house. The difference between us and them is that the profit that we make, we leave in the house, we don't take the profit back out as dividends to private investors – Housing Inc.

Housing Inc. states that: "We've probably got about \$1 million worth of grants/funds from trusts and the balance of our debt is commercial and that's around \$5 million... its hard getting the banks to the table, but they do, do it." Banks and investment organisations coming to the table and collaborating with social enterprises are often hard because the social nature of these organisation types where profitability is not a main concern. However, having assets and resources seemed to leverage Housing Inc. in the loan process.

In terms of investors, two out of three cases noted that having philanthropic investors enabled their enterprises to purchase resources such as land and contractors needed.

In the case of Housing Inc. they explain that:

Philanthropic funders and investors would typically lend us money to enable us to get out there and buy the land and pay the builder to build the house and then once we have the house built we would then re-mortgage that house and either use that as an affordable rental or once that house is built on the land, we would then sell a share to a household who would then get a mortgage on their share, our lenders are those organisations that don't mind leaving money to sit in a house over a period of 2-5 years.

Once a house is built on land owned by Housing Inc. the enterprise then have to acquire more land and resources for further houses so they rely on financial loans and investment heavily.

Alongside the notion of loans comes the liability of debt. Throughout the cases resource intensive social enterprises were more likely to carry debt compared with those that require little physical resource. For example, Café Inc. explains that they accumulated debt through a loan endorsed by their parent organisation. The loan was a part of a seed capital investment fund that is available internally to projects within the parent organisation; however repayments were required to ensure the parent's funds can be regenerated for future projects to continue the process of value creation. Two out of three cases have stipulated that they will be paying off their initial start-up debt for years to come with the high probability that more

debt is to be added as they seek other ways of creating social value and making their social enterprises more commercially viable. In saying this, intangible resources such as founders' experience and knowledge also contributed to the processes and actions around how social enterprises acquired and managed their resources.

#### Founders' Experience and Knowledge

Founders experience and knowledge were important resources in the start-up phases of the social enterprises investigated. Their life experiences are a means of acquiring resources such as knowledge pertinent to their enterprises. This knowledge and experience are in themselves valuable resources. These knowledge resources are unique in that no single individual will ever have the same knowledge or experiences in a lifetime. By having a diverse range of knowledge and experience, these intangible resources enable their enterprises to create unique processes and structures that contribute to the value created and make enterprises unique from other enterprises. In saying this, similarities between cases showed that all the founders / managers that were interviewed had experiences working in the not for profit space. In two out of three cases, cases emphasized that they used knowledge and experiences they gained from these past experiences to help in the acquisition and configuration of resources for the enterprises in this study. For example, the manager of Housing Inc. indicated that his knowledge of the surrounding environment and housing sector gave him the necessary capabilities to strategize with local government and organisations in the housing sector. This knowledge was from areas in the commercial property and development sector that enabled Housing Inc. to create value through supporting and strategically creating affordable housing options. The expertise acquired and utilized throughout this process include strategic management skills, project management, property development skills, learning how to manage a team, dealing with clients and ensuring goals are strategically aligned with what the organisation is doing. Without these skills and knowledge, Housing Inc. would be a very different organisation it is today and would lack key capabilities required to provide its service.

Another example of utilizing knowledge and expertise as a resource is in the case of Café Inc. During the start-up phase, the founder of Café Inc. and others from his parent organization had extensive knowledge of central Auckland where the café would be located. Specifically, they had knowledge of the approximate number of homeless in central Auckland as well as knowledge of the types of businesses and activities operating near the site such as prostitution, bars, adult stores and liquor stores. They experimented with one location but that did not work because of resource constraints and other difficulties such as needing to fit in a whole new kitchen and needing additional space for offices resulting in the loss of

infrastructure costs. A second location was found through the internet auction site Trade Me and proved to be a success for Café Inc. It had all the essentials including an office space and a kitchen / café area downstairs which meant a simpler transition from the soup kitchen location to the new café location.

The founder explains the decision behind creating a café instead of a new soup kitchen was that:

You can't go anywhere in this country without coming across a café and so I guess there a core part of New Zealand society – so why separate and isolate when you can sort of collaborate and be able to merge two communities together.

This second site was chosen because it was in the heart of an area, Café Inc.'s founder knew his target customers and the environment they were often seen in and drawn too. The already existing social services knowledge and experiences the enterprise had were key intangible resources that contributed to this process and could have meant a less suited location had the knowledge not been within the enterprise at the start-up phase. Likewise, in the acquisition of key resources networks provide a useful intangible resource that pools together a variety of resources.

#### **Networks**

Networks were another resource that enabled founders to acquire resources. The cases highlight that networks provided founders with leads regarding where essential resources such as additional knowledge, market information, prospective employees, contractors, and property and potential partners might be available. Such resources are vital for creating value and establishing an operating enterprise. At best, these networks are an eco-system of support and knowledge (Austin et al., 2006).

Café Inc. utilized its networks to retain and gain clients through its services, word of mouth and reputation. Café Inc. serves 90% of it's the customers it served from its old soup kitchen and even manages to attract customers that are a bit better off than their core market of homeless such as marginalized individuals. These individuals may be earning enough to just get by however need cheap meals and other social assistance to ensure they do not fall through the gaps of society into homelessness. While Café Inc. do not do any formal advertising because their target market do not have access to modern media channels such as television, radio and internet, they utilize their networks as a resource to spread the word to others who need their services. Likewise, Creative Inc. collaborate with educational institutes, philanthropic

organisations, community groups and local government which enable shared ideas, the use of facilities, knowledge and other such resources and capabilities to create projects to enhance wider social value.

#### Creative Inc. explains that:

We don't have the same skills in any way shape or form, same values but not same skills... our partnerships are incredibly important and valuable but also the various networks that we both bring to the table are really important.

It's suggested by cases that networks enable social enterprises to pool together resources and use them to create a higher level of social value then they would have achieved if gone at it alone.

On a political front, utilizing local government networks for policy interventions, advocacy and building awareness is another aspect that came through the findings under collaborating with various networks. Cases identified political networks as a useful way of creating social awareness of their core social purpose across sectors. Building government awareness and advocacy is important across cases on different levels as stipulated above. As affordable housing is a huge social issue that the welfare state aims to address, Housing Inc. look towards the government for part of their funding, but mainly for advocacy and support to improve affordable housing options available to communities. Collaborative efforts have seen Housing Inc. partner with commercial and not for profit organisations (see Table 2) to enhance their social influence in the housing sector.

#### Housing Inc. explains that:

...it's about making sure that we're understood in the market, so that the government, philanthropic organizations, philanthropist all know who we are.... We've probably funded, built and helped other organizations build close to around 300 homes over the last 8 years.

Similarly, Cafe Inc. often has government support agencies come in to assist with advice and support. These services include Work and Income support and Housing New Zealand to name a few, which provide regular drop in times for those who need it. This allows a regular time and place in an easily accessible central location where homeless and marginalized individuals are free to utilize these services if they wish to do so. Coincidentally, Housing Inc. work closely with the government and Housing New Zealand around affordable housing strategies in a similar way.

The above examples describe local networks but the cases also show international networks were used by enterprise founders. Creative Inc. use international networks for information about social initiatives being implemented overseas and knowledge of collaborative efforts on an international scale. One of the co-founders of Creative Inc. had the opportunity to travel, having the chance to visit and build networks with social enterprises abroad in places such as Mongolia, UK, America and through a lot of developing nations. This founder stated that "project by project there are some things we wouldn't have been able to achieve without our networks; we have our eye on some other groups overseas that would be nice to make connections and share learning with." Knowing what other organisations were doing to create social value internationally enabled the implementation of analogous projects in New Zealand for Creative Inc.

Partnerships and collaborative projects also allow for enterprise to share knowledge, networks and expertise. Creative Inc. explains that working in the social sector "…is built on trust; it is built on those long term relationships… we have to pick the right… not necessarily the right partners for our total business but partners on a project basis." Housing Inc. and Café Inc. agree with this notion and utilize partnerships on a per project basis which enables them to acquire and use resources with collaborative partners. Subsequently, with acquiring resources comes the management or configuration of resources. In the next section, the broad theme managing / configuring of resources is explored through a series of patterns identified.

#### **Managing / Configuring of Resources**

The second theme is managing / configuring of resources. I identified patterns across cases that include managing resources through the use of experiential learning and education and the configuration of resources through different kinds of arrangements for human resources. These patterns are described in further detail in (Table 3) and below paragraphs.

Table 3: Managing and Configuring Resources

Case	Examples of Experiential Learning	Education and Training	Arrangements for Human Resources	
Creative Inc.	-Constant reflection and re-evaluation of processes and systems in place -The learning curve around capacity building and knowing when to say no to a client - Learning what makes a good business partner / project partner -Looking beyond locality to gain insight of what could be done -Finding the right method to recruit employees for their enterprise -Planning for absolutely everything with long-term and short term goals -Knowing the right time to expand and acquire more resources	-Teaching clients how to use technology -Self education around social enterprise movement on a local and global scale -Holds workshops and guest speaks at a variety of different events and conferences	-3 Full time employees -Contractors such as web-designers, videographers (on a when needed if needed basis) -Volunteers (dependent on size, nature and scope of project)	
Café Inc.	-Took a social services angle, if done differently would go from a business angle -Acquired a site and designed a kitchen that didn't work, found another site that suited needs more adequately -Expanding services to include more training aspects for its clients	-Trains homeless and marginalized so they have skills to get them back into the workforce -Up skills homeless through working in the Café – gives them experience and skills -Self-education around operating a small business - Educates and builds awareness around homelessness through guest speaking.	-Approx. 6 Full time employees (including a service manager, a chef, financial person) -Part-time employees (social workers, and café service hands) -Contractors used for property development, contracted social workers -Volunteers (café service hands, support workers)	
Housing Inc.	-Using builders to maximize efficiency rather than families/clients -Walking the talk, doing what you actually say you're going to do -Making mistakes once and learning from them -Coming up with new ways to regenerate funding from assets -Constant reassessment of current service strategies and assessing whether they will work for future needs of clients -Learning how to acquire more resources without having it hinder current operations	-Teaching families how to budget for their first home -Educates families, communities, governments on affordable housing through guest speaking, conferences and community gatherings.	-2 Full-time employees -8 Part-time employees/on contracts -External Contractors (builders, financial advisors)	

#### **Managing: Experiential Learning**

Across cases, experiential learning was one of the most common methods of managing resources. Evidence showed founders improvising and learning by doing in order to find out whether resources were a right fit for their enterprise. Founders echoed that learning from mistakes and not making the same mistake twice were important aspects of learning by doing; further examples are shown in (Table 5). The founder of Housing Inc. explained that when there are social issues to be solved, you just need to get in there and do it with the resources you have. Talking about things will only get you so far, where actions speak louder than words.

Similarly, Café Inc.'s founder said that:

We started our organisation through a social services angle rather than a business angle. Through the process of learning by doing, we learnt a lot about business and the resources needed, if we were to do it again it would be done from more of a business angle...there were no examples that we could use and I guess we knew what we didn't want it to be, but we weren't 100% sure what we thought it would be and it quickly evolved and things happened that weren't on the step by step plan.

This realisation has helped the enterprise see how they could improve their business model for the future to maximum efficiency and effectiveness. Creative Inc. explained that likewise, planning and conversations were essential in managing their organisation. For example Creative Inc. had a situation where they needed to learn about their capacity to take on projects. They had to consider the benefits to not only the client organisation but also the contribution of the project to the wider society versus the costs in terms of time, effort and resources for the enterprise. Creative Inc. stipulate that capacity building is a learning curve and allowing your organisation to be adaptable and flexible in practice, especially when doing something that is very new to the market is all a part of learning as you go with what resources you have.

I think you've got to allow yourself to try something and change it, so I'm really happy with how we've tried things and every time that we've gone, well was that the best way? Could we do it differently next time? So I think I wouldn't change what we've done but I think going forward, starting to be more aware of what resources might enable more creativity – Creative Inc.

Similarly, another example is shown by Housing Inc. who claims that the next few years are going to be hard for the enterprise, testing how they manage their resources and make key

decisions around the actions they take. Demand for affordable housing will increase as the population increases. Housing Inc. does not know how their organisation will deal with the changing market environment and influx in demand and will have to learn as they go and this is something they acknowledge. Housing Inc. state it will be a huge learning curve that they are currently planning for and explain that... "if we make a stuff up, if we don't get it right – we can recognise where we haven't got it right and seek to change what we haven't got right by getting it right the next time round, but getting out there and doing it." By getting out there and working towards their goals, Housing Inc. is able to use their learning's as an intangible resource. They explain that the demand for affordable housing is growing; however in a dynamic environment, with limited resources, it is going to be a challenge to cater and maintain the value they are currently creating, something they are going to learn more about as time comes. Through the use of experiential learning, Housing Inc. could manage resources to improve and develop strategies that could lead to solutions such as; creating new schemes for its target market, configuring resources in innovative ways i.e. apartment style housing, underground houses and aligning with organisations outside of their network. These examples could assist with future resource challenges of increased client demands.

#### **Managing: Education and Training**

Adding sustained social value through education was another pattern that I found. What is meant by this is that the studied enterprises adopted practices and philosophies that supported and encouraged training and education of clients and customers to:

- Better the clients/customer position in society by up-skilling and providing them with essential information they can utilize in their respective environment.
- Enhance knowledge and understanding around services, social needs, widercommunities and policies amongst clients/customers.
- Facilitate knowledge sharing tools whereby the client/customer circulates information about the social cause or social enterprise through their networks and wider society.

A focus on education and training also allowed social enterprises within this study, to educate themselves around differentiated needs of their clients and customers. This in turn enabled the enterprises to improve their services and anticipate customer's future needs.

Furthermore a part of the value created by the studied enterprises was empowerment of clients; enterprises enabled clients to be a part of the solution to their own problems through education and training. Housing Inc. provides an example of this. It takes families on as clients who want to own their own homes or need a home. If they are not in a position to own their

own home or are financially unsuitable, Housing Inc. will sit them down with a financial advisor to help them come up with a plan to get the family to a stage of being eligible for a mortgage, whether that takes 3 months or 5 years. Similarly, Café Inc. employ and train marginalized and homeless to work and gain skills that they can further utilize in future employment opportunities mostly in their café; however in other cases they do have side projects running which help develop other capabilities. In one instance, Café Inc. had a project running where a few homeless men would do work for a local rail company, the workers had to show up on time, sober and ready to work. They were trained and paid in the form of either food vouchers or money for the work they completed. One of the men working in this group showed up every day ready to work. He was later offered further employment creating a better position for himself in society through the help of Café Inc. Similarly, Creative Inc. explains they often have educational barriers with their clients, whether it is around technology or business facets such as marketing, social media and so on. They explain that "with a lot of our target market that we work with, this is an entirely new world for them, so there's a huge educational piece that we need to do..."

In addition to this, all three cases are known to converse and do guest lectures at conferences and events, further educating wider networks and individuals about the areas they are involved in and how they are creating social value in their industries, networks, organisations and communities. Through this method, these entrepreneurs and social enterprises gain a lot of interest from individuals that want to collaborate with them to learn more and spread their stories. Creative Inc. explains: "We've got a good creative network of people; we don't have any shortage of people who want to work with us which is great. We have to pick the right... not necessarily the right partners for our total business but also partners on a project basis... everyone wants to collaborate but then no one wants to do the work and that's something you have to watch for." In saying this, a huge part of managing and configuring resources includes the use of human resources.

#### **Configuring: Human Resources**

Across cases, evidence reveal that social enterprises uses a variety of mechanisms to ensure needed human resources were available and configured appropriately within the enterprise. As shown in (Table 3) these mechanisms consist of a mixture of full-time employment, part-time employment, volunteers, and contractors.

All cases are small in terms of the amount of employees they hire. The findings revealed that all cases employed at least 2 full-time employees that hold positions that oversee the running

of the enterprise. However, when it comes to the additional human resources needed, the enterprises tried to minimize costs. None of the social enterprises in this study had more than 10 full time employees at the time of interviews as shown in (Table 5). Housing Inc. described this approach by saying that they're "a skinny organisation in terms of resourcing."

All cases highlighted that contractors are used to bring in needed capabilities on a short term basis to provide a skill or capability of some sort that the enterprise could not provide through their employees. Creative Inc. explains that use of contractors enables them to be nimble and flexible with what they do and how they do it. They have complete control over every decision made because they are small and able to bring in contractors on a timely basis that suits the enterprise's needs. Housing Inc. uses contractors for construction purposes and that's how their organisation drives economy and efficiency. It also eliminates a lot of the resourcing requirements it would take to run a construction site on top of the already existing operations. Housing Inc. states that over 50% of work done by their organisation includes the use of outside contractors.

Another finding regarding human resources was that all enterprise utilized volunteers. This was often done because the human resources in social enterprise require diverse skills and capabilities that a social enterprise might not be able to afford. Also, founders said that volunteers express an interest for the social need being served and bring valuable insight, skills and knowledge to the table. They often want to give back to the community, through working for an enterprise that is embedded within the social sector to help improve society. From the findings, it was found that only one out of the three cases uses volunteers within their enterprise to work on a when needed basis. However, through other sources it was found that all cases within this analysis utilize volunteers on a project basis where volunteers are bought on to help with a variety of activities for events or specific projects.

Creative Inc. share advice they were given about human resources:

Predominately the advertising industry and their words of warning were to be careful not to take on resources before you can cover the costs of that resource and to I guess hire for your troughs not for your peaks because the peaks won't last and there's plenty of other models like contracting and part time contracts, all sorts of things you can do that can mitigate the risk of having to take on resources that are going to stretch you too far.

Across cases, this seemed to be the general consensus – enterprises would often use volunteers and contractors with differentiated skillsets and expertise to assist with multiple

facets of their enterprise to minimize the costs associated with human resources (Zhang & Zhang, 2012). In the resource configuring stages of forming a social enterprise human resources are vital in establishing and growing enterprise processes and practices.

## Chapter Five: Discussion

The primary purpose of this dissertation was to explore how social enterprises acquire and manage resources. Three cases of social entrepreneurship were analysed for patterns in resource acquisition and management, consistent with a multi-case study research design (Larsson, 1993; Yin 2003). As a result of this investigatory process a series of patterns were identified that addressed the research question of: how do social enterprises acquire and manage their resources?

In summary, the findings suggest that resources were acquired from a number of different places. Financial resources came from a mix of sources including traditional, commercial sources such as loans but also from philanthropic funders and investors. This puts emphasis on the perception that SE is a dynamic social change resulting from new combinations of innovative resources / processes (Tapsell & Woods, 2008). The data within this study illustrates a resource based view, where the cases explored extend our understanding of RBV in a social enterprise context. Resources such as human resources, knowledge and experiential learning's and networks were acquired and managed in diverse ways which allowed cases to create social impact for their target market. The RBV advocates that the most desirable resources are firm-specific intangible assets – including networks, relationships and knowledge. In particular knowledge that is distinctive, specialized and difficult to collect and sort into systems, resources that can be used in the production of goods and services (Chisholm & Nielsen, 2009). Inclusively through reputable work, high demand for services and supportive ecosystems; the enterprises studied showcased the acquisition and management of hard to substitute resources.

Findings also suggested that intangible resources such as the founders' experience and knowledge as well as enterprise networks proved to be highly advantageous during the start-up phases of a social enterprise as stipulated by cases. This evidence revealed that resources were managed and configured in ways unique to the enterprise and also reflects the diverse knowledge and experiences of founders. In particular, founders' backgrounds influenced the configuration and management of key resources such as finances, human resources and assets (land, property and material). In turn this created dynamic capabilities that enabled innovative processes such as configuring education into their enterprises to cultivate social value and enhance knowledge within communities and industry sectors.

#### **Implications**

The findings suggest two implications for the wider organisational literature that provide beneficial insights for future research prospects. In conjunction with these insights, evidence indicates implications for practice that could assist social entrepreneurs when founding a venture.

Implications for Theory: The first implication is for the notion of bricolage. Findings affirm that founders "make do" with resources such as skills, knowledge, relationships and equipment that are readily available but less than ideal (Baker and Nelson, 2005) when acquiring resources for the start-up of their enterprise. This finding is consistent with other findings in the context of social entrepreneurship literature (Mair & Marti, 2006; Domenico et al., 2010). Like other social entrepreneurs, the cases in this study made do with existing and undervalued resources that were freely and cheaply available. Founders appeared to engage in bricolage out of hardship because they could not afford the costs of ideal resources. Desa & Basu, (2013) say that bricolage involves, an enterprise using resources in a different way from their originally intended use. With this being said, current findings showed experiential learning to be a part of configuring resources; especially in the start-up stages of establishing enterprises. Entrepreneurs were able to use foresight, creativity and experiential knowledge to invent new capabilities from existing pools of resources to create value (Desa & Basu, 2013; Demirdjian and Rüling, 2004; Kumar et al., 2011; Louridas, 1999). Researchers looking to examine bricolage in the future could consider investigating the broad pattern of experiential learning in the resource configuration stages of a social enterprise.

The second implication pertains to my finding regarding configuring education and training components into a social enterprise. These components enabled clients/customers to participate in creating solutions to their own problems. This ties in with the notion of the base of the pyramid concept that enables low socio-economic customers/clients to work as partners with the social enterprise to grow their own success in means of knowledge, skills and experience (Prahalad, 2004). The cases analysed in this study portray a base of the pyramid concept with their education and training components. An in-depth analysis of this relationship by researchers could provide exploratory areas for further academic research. While current literature on the base of the pyramid notion focuses on how and what these enterprises are doing, contributions to specific resource configuration components would provide useful insights. For instance, research examining how base of the pyramid enterprises configure education and training resources would enhance theory around education resources and social entrepreneurship literature.

Implications for Practice: Additionally, findings provide one suggestion around best practices in social entrepreneurship: differences in arrangements for the human resources needed for ventures. Specifically, cases within this study used various employment methods such as contractors and volunteers to provide the needed skills and labour while minimising the costs of taking on full-time, permanent employees. This idea was echoed throughout cases as a practice for managing human resources and furthermore providing key intangible resources needed by social enterprise. My findings encourage entrepreneurs looking to create a social venture to consider different variations of arrangements for human resources. Future research could examine this idea of alternative human resource arrangements for social enterprises in more depth, potentially matching different practices to disparate social entrepreneurship contexts.

#### Limitations

As is the case with all research designs, there are strengths and limitations that exist and these must be considered when interpreting reported findings. Through the qualitative, multiple case study approach taken, this research provides a rich description of real life social enterprises' experiences in the acquisition and management of resources. However, one limitation of this research is the researcher specific interpretation (Van De Ven & Johnson, 2006). Interpretation of evidence is influenced by a researcher's subjective viewpoint (Yin, 2003). Therefore, future research done by others would potentially expand our understanding of resource acquisition and management because it would reflect a different viewpoint. Another limitation can be seen in the small number of cases included in the study. Although these cases provided rich evidence to induce patterns, I can only generalize to theory not to a population of social enterprises. Further research that draws on additional cases in other contexts is needed before the robustness of present findings is fully known. I thus encourage readers to view the findings as an initial step in the exploration of social entrepreneurs' acquisition and management of resources.

#### **Concluding Remarks**

In conclusion, this study addressed how social enterprises acquire and manage resources. The resource based view and dynamic capabilities framework provide a useful tool for understanding how social enterprises create value through acquiring and managing resources. I hope that in time using parts of this study as insight, 'best practices' in SE can be developed as literature reiterates the need for it (Chell et al., 2010; Domenico et al., 2010). Furthermore, research around configuring resources in SE and applying concepts such as bricolage and the

base of the pyramic entrepreneurship.	d notion	will	help	widen	the	literature	and	understanding	around	social

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## Appendices

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## MEMORANDUM

### Auckland University of Technology Ethics Committee (AUTEC)

To: Trish Corner

From: Rosemary Godbold, Executive Secretary, AUTEC

Date: 23 August 2012

Subject: Ethics Application Number 12/195 How social enterprises attain and manage resources.

#### Dear Trish

Thank you for providing written evidence as requested. I am pleased to advise that it satisfies the points raised by the Auckland University of Technology Ethics Committee (AUTEC) at their meeting on 13 August 2012 and I have approved your ethics application. This delegated approval is made in accordance with section 5.3.2.3 of AUTEC's Applying for Ethics Approval: Guidelines and Procedures and is subject to endorsement by AUTEC at its meeting on 10 September 2012.

Your ethics application is approved for a period of three years until 23 August 2015.

I advise that as part of the ethics approval process, you are required to submit the following to AUTEC:

- A brief annual progress report using form EA2, which is available online through <a href="http://www.aut.ac.nz/research/research-ethics/ethics">http://www.aut.ac.nz/research/research-ethics/ethics</a>. When necessary this form may also be used to request an extension of the approval at least one month prior to its expiry on 23 August 2012;
- A brief report on the status of the project using form EA3, which is available online through <a href="http://www.aut.ac.nz/research/research-ethics/ethics">http://www.aut.ac.nz/research/research-ethics/ethics</a>. This report is to be submitted either when the approval expires on 23 August 2012 or on completion of the project, whichever comes sooner;

It is a condition of approval that AUTEC is notified of any adverse events or if the research does not commence. AUTEC approval needs to be sought for any alteration to the research, including any alteration of or addition to any documents that are provided to participants. You are reminded that, as applicant, you are responsible for ensuring that research undertaken under this approval occurs within the parameters outlined in the approved application.

Please note that AUTEC grants ethical approval only. If you require management approval from an institution or organisation for your research, then you will need to make the arrangements necessary to obtain this.

To enable us to provide you with efficient service, we ask that you use the application number and study title in all written and verbal correspondence with us. Should you have any further enquiries regarding this matter, you are welcome to contact me by email at <a href="mailto:ethics@aut.ac.nz">ethics@aut.ac.nz</a> or by telephone on 921 9999 at extension 6902. Alternatively you may contact your AUTEC Faculty Representative (a list with contact details may be found in the Ethics Knowledge Base at <a href="http://www.aut.ac.nz/research/research-ethics/ethics">http://www.aut.ac.nz/research/research-ethics/ethics</a>).

On behalf of AUTEC and myself, I wish you success with your research and look forward to reading about it in your reports.

Yours sincerely

Dr Rosemary Godbold Executive Secretary Auckland University of Technology Ethics Committee

## Participant Information Sheet



Date Information Sheet Produced and approved:

08/08/2012

Primary Researcher

Chantelle Lincoln

**Project Title** 

How social enterprises attain and manage resources

#### An Invitation to Participate

My name is Chantelle and I am a Master of Business student at AUT University. I will be conducting research on the topic of attaining and managing resources for social enterprises. This is an invitation for you to participate in the study. I plan to assemble a three-case study of social enterprises in order to investigate my topic. I am hoping your social enterprise can be one of the cases that will go into the study. Findings from this research will identify patterns in how social enterprises attain and manage resources, thereby helping to develop theory for the academic literature and suggest practical advice for prospective social entrepreneurs. Professor Trish Corner, lecturer in strategic entrepreneurship at AUT will be supervising me throughout this research project and will be available if any matters or concerns happen to arise. Participation is 100% voluntary and can be withdrawn without any adverse consequences at any time prior to the completion of data collection.

#### What is the purpose of this research?

Social entrepreneurs are seen as change makers, solving social problems using business tools. The emergence of these entrepreneurs and the methods they use to create social value provide learning for students, researchers and businesses of all varieties. The purpose of this research project is to identify patterns in resource attainment and management across a three case study I mentioned above. These patterns will provide insight for future academic research on this topic and may provide practical advice for further social entrepreneurs. You as a participant will receive a final report of the findings. Outputs from the research will emphasize organizational actions and strategies rather than individual actions and decisions so there is no threat to you or your organization.

#### How was I identified and why am I being invited to participate in this research?

I identified you as a participant through my personal networks, mainly those formed through my participation in Students in Free Enterprise (SIFE) at AUT University. In particular, I was looking for participants who founded a social enterprise because I know people, like yourself have excellent knowledge of how resources were attained and managed. I developed further criteria for the organizations I was interested in that would have to meet the following: have been running for a minimum of 2 years, have social objectives and operates within New Zealand. All criteria of which I believe you and your organisation meet. I obtained contact details for you and others approached either through publically available information sources or third parties who suggested that you might fit the criteria I have set out.

#### What will happen in this research?

The aim of this research is to conduct one on one, face to face, semi-structured interviews with you and other participants. Interviews will take a maximum of two hours in length per participant. The interviews will be based on indicative questions that you will receive at least 4 days prior to the commencement of interviews. You can indicate the time and place you would prefer to be interviewed.

I will audio-tape interviews and take notes as the interview progresses. The audio-tapes and any data produced throughout the interview will be kept in secure storage within AUT. I will be accountable for the security of all data obtained. All data will be stored for a period of six years in a secure place within AUT and after this destroyed. The data collected will only be used for the purposes of this research project.

#### What are the discomforts and risks and how will these risks and discomforts be alleviated?

Given the topic, I do not expect that you as a participant will experience any discomfort or risks. The nature of interviews allows you the choice to disclose as little or as much information as you wish. As a participant you will also receive a final report and can review the data collected via this report.

Your participation in this project is by voluntary consent. You may withdraw from participation at any time up to the completion of data collection. Your identity will not be revealed nor will the identity of your organization.

#### What are the benefits of this study?

The insights provided by being a participant in this research project will help form scholarly research and provide practical advice for future social entrepreneurs. With this being said, I ask that you look at this research project as an opportunity to allow others to learn and gain knowledge from your experiences.

The benefit for me as the primary researcher carrying out this project will mean the completion of the final stage of a Master of Business qualification.

#### How will my privacy be protected?

Your privacy is protected in four ways. First, the study concentrates on the organisation rather than on you, the individual. Secondly, I will make every effort to protect your identity. I will use pseudonyms for both the organization and the individuals involved when reporting findings from the research. Third, participation is completely voluntary and can be withdrawn at any time up to the completion of data collection. Fourth, your details and data will be kept in a private secure password encrypted file that only the primary researcher has access too.

#### What are the costs of participating in this research?

There is no direct cost financially associated with participating in this research project. Every effort will be made to fit the time, day and venue for interviews at your preference. The indirect cost will be approximately 2 hours of your time given up to participate in the interviews and approximately another hour to check your transcript once it has been transcribed a few weeks after the initial interview.

#### What opportunity do I have to consider this invitation?

It would be appreciated if you could express your willingness or unwillingness to participate in this project within 8 – 10 days of receiving the invitation.

How do I agree to participate in this research?

By completing the attached Consent Form you agree to participate in this research and understand what will be

done with the information you provide.

Will I receive feedback on the results of this research?

Following the completion of the research project, you will receive a copy of a final report on the research. Should

you require any further information, you can contact me: Chantelle Lincoln - clincoln@aut.ac.nz.

What do I do if I have concerns about this research or the researcher?

Any concerns regarding the nature of this project or the researcher conducting this research you should notify in

the first instance the Primary Supervisor, Professor Trish Corner, trish.corner@aut.ac.nz, +64 9 9219999 ext 5415.

Concerns regarding the conduct of the research should be notified to the Executive Secretary, AUTEC, Dr

Rosemary Godbold, rosemary.godbold@aut.ac.nz , 921 9999 ext 6902.

For further information or enquiries about this research, please contact:

Chantelle Lincoln

Email: clincoln@aut.ac.nz

Phone: 022 312 6127

Approved by the Auckland University of Technology Ethics Committee on 08/08/2012, AUTEC Reference number 12/195.

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## Participation Consent Form



Pro	oject title:	How social enterprises attain and manage resources
Re	searcher:	Chantelle Lincoln
	I have read and under dated 08 July 2012.	rstood the information provided about this research project in the Information Sheet
	I have had an opportu	unity to ask questions and to have them answered.
	I understand that no transcribed.	otes will be taken during the interviews and that they will also be audio-taped and
	I understand that I m	nay withdraw myself or any information that I have provided for this project at any
	time prior to complet	tion of data collection, without being disadvantaged in any way.
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# Indicative Interview Questions



Date

09 July 2012

Primary Researcher

Chantelle Lincoln

Project Title

How social enterprises attain and manage resources

#### Term Clarifications

Throughout this study the term social entrepreneurship will be use the definition proposed by Zahra, Gedajlovic, Neubaum & Shulman, (2009, p.521) which explains that social entrepreneurship incorporates "actions and processes taken on to discover, define and exploit opportunities to enhance social wealth by creating new ventures or managing existing organizations in an innovative way".

In the case of resources, this includes tangible and intangible resources that contribute to the effective operations of the organization. Examples of these are financial funds, assets such as machinery and capable staff and specific expertise.

Questions will be asked that are consistent with the research question of: How do social enterprises attain and manage resources?

#### **Attaining Resources**

- What key resources did you need to start up your enterprise and how did you acquire them?
- Did you acquire funding or need a raise a seed capital?
- What was most challenging about acquiring resources, what was easiest?
- How do you think acquiring resources for your social enterprise compares to getting resources for a more commercialized company?
- Can you describe any help you got in acquiring the key resources that you needed to start the
  enterprise?

- What do your resources enable your company to do?
- Given what you know now about acquiring resources, what would you do differently if you started another enterprise?

#### Managing

- Once you acquired your resources, how did you manage them?
- Can you describe for me what's involved in managing your resources?
- How did the management of resources change as your enterprise has grown?
- How do you think your management of resources compare with management of resources in more commercialized enterprises?

#### Future

- How do you see your enterprise changing in the future and how will resources change to accommodate this?
- How do you think the future arrangement of resources will need to be managed?
- Knowing what you do, what advice would you give new social entrepreneurs looking to start a venture?



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