



Nonprofit Studies Program

Working Paper 08-05
November 2008

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Internet: aysps.gsu.edu/nonprofit

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ABSTRACT

Third sector organizations in the United States finance themselves through a variety of sources including gifts and grants, government funding, earned income in the form of fees and commercial ventures, and returns on investments. Many of these organizations are led by individuals who can be characterized as social entrepreneurs, individuals who create new ventures and new ways of addressing social missions. The concept of the social entrepreneur is patterned after the conventional model of the business entrepreneur who creates and develops new commercial ventures. However, there are limits to this comparison. Business entrepreneurs are expected to have sharp business skills, be facile operators in the private market place for goods and services and generate financial profits on the basis of market revenues. Alternatively, successful social entrepreneurs would seem to require a somewhat different mix of skills, compatible with the fact that they must often seek support from non-market sources of revenue. While business acumen is likely to be an important part of the skill set of social entrepreneurs, these individuals may also require political skill, fund raising expertise, and other abilities consistent with the synthesis of economic supports required for both social mission achievement and financial sustenance. A narrower view of social entrepreneurs as developers of ventures entirely dependent on business skills and market revenues would therefore appear to be seriously limited and unproductive.

In this paper, we review the literature on entrepreneurship and the skill sets required by entrepreneurs operating in different sectors of the economy. Case studies from the social enterprise literature are examined in some detail. We search for distinctions between entrepreneurship in the business sector and entrepreneurship in the nonprofit sector and relate this to the variations in financial support found among nonprofit sector organizations. We conclude that third sector social entrepreneurs are likely to require a different mix of skills than business entrepreneurs and indeed that there is substantial variation in skill set requirements within the realm of social enterprise. In particular, political skills broadly defined, and the ability to secure and maintain charitable support, appear to be common to successful social enterprise ventures. That said, we suggest that taking too narrow a view of social entrepreneurship and social enterprise by confining it to the traditional business model of entrepreneurship constrains the potential benefits of developing social entrepreneurship in the third sector. This implies that education of potential social entrepreneurs should be broadly based, combining business, public and nonprofit based instruction.

Introduction

While the concept of entrepreneurship has a long history in the commercial sector, it has been embraced relatively recently in the social economy or third sector. Nonetheless, “social entrepreneurship” is now one of the hottest topics for policy makers and practitioners seeking new solutions to social problems, in the United States, Europe and other parts of the world. However, there is not yet conceptual clarity on the nature of social entrepreneurship and how it is similar and different from business sector entrepreneurship. Indeed, Dees and Anderson (2006) argue that the concept of social entrepreneurship represents a confluence of two schools of thought - the idea of generating earned (market) income in support of social purposes (e.g., through commercial activity by nonprofit organizations) and the undertaking of innovation for social change.

The latter idea is generic and sector-agnostic, and consistent with the ideas of Jean-Baptiste Say, Joseph Schumpeter and Peter F. Drucker. Say (1803) is credited with associating the French term entrepreneur (one who undertakes) with venturesome individuals who stimulate economic progress by finding new and better ways of doing things. Schumpeter (1934) wrote of entrepreneurship as the bringing about of “new combinations of means of production”. Schumpeter’s emphasis was on innovation, leading to new kinds of economic goods and services, new ways of producing them, the opening of new markets, development of new sources of raw materials or the creation of new organizational structures. Drucker (1995) characterized entrepreneurs as searching for change, responding to it, and exploiting change as an opportunity. Young (1983) and later Brinkerhoff (2000) adapted these notions of entrepreneurship specifically to nonprofits and social entrepreneurship, respectively. Young (1986) described nonprofit entrepreneurs as “innovators who found new organizations, develop and implement new programs and methods, organize and expand new services, and redirect the activities of faltering organizations”.

The proper conceptualization of social entrepreneurship in the third sector – in particular the nature of its link with the commercial marketplace – matters because it defines the skill sets that will be sought by third sector organizations to address their

social missions. If social entrepreneurship is primarily about marketplace success then the traditional model of the business entrepreneur is appropriate. However, if the broader concept of innovator and catalyst for social change is adopted, then a different skill set may be required of social entrepreneurs.

In this paper, we argue that the broader conception of the social entrepreneur is appropriate because social enterprise does not depend solely on marketplace success. Indeed, the financial foundations of third sector organizations are quite varied and this variation is likely to be reflected in the financing packages for new ventures, implying that social entrepreneurs must be able to negotiate public sector and philanthropic environments as well as markets. Assuming that these environments require different knowledge and skill capacities, social entrepreneurs will require capabilities that are somewhat different from those of the typical business sector entrepreneur.

The next part of this paper reviews the financial foundations of various parts of the third sector in the United States and elsewhere. Subsequently we review the literatures on social and business entrepreneurship with an eye towards identifying similarities and differences in required skills. We approach this by recognizing entrepreneurship as a generic phenomenon involving innovation and change applicable to all sectors, but whose manifestations vary from one sector context to another. We then analyze the match between skills and capacities associated with entrepreneurial success in different sectors and the economic foundations of various third sector environments, in particular the dependence of nonprofits in different fields of service on sources of income derived from the market, government and philanthropy. Reviewing a set of published case studies of social enterprise reveals the variety of financing sources and entrepreneurial skills required for successful social enterprises. We conclude that social entrepreneurship is not only distinct from business entrepreneurship in its skill requirements, but also that these requirements vary substantially within the third sector. In the final section we reflect on the implications of this analysis for selection and education of successful social entrepreneurs.

Economic Foundations of the Third Sector

At the sector level, comparative studies clearly demonstrate that the revenue base of the third sector varies widely from country to country (Salamon, Sokolowski and Associates, 2004). On average, a 34 country compilation attributes over half of financial support of nonprofit organizations to fee income, another third to government revenue, and 12% to philanthropic sources. However, as illustrated in Table 1, individual countries vary widely in their mixes of revenues from different sources. This suggests that social entrepreneurs operating in different countries will encounter substantially different economic environments in which to find support for their initiatives.

Country	%Fees	%Government	%Philanthropy
<i>Mexico</i>	85%	5%	3%
<i>Sweden</i>	62%	29%	9%
<i>U.S.</i>	57%	31%	13%
<i>Japan</i>	52%	45%	3%
<i>France</i>	35%	58%	8%
<i>U.K.</i>	45%	47%	9%
<i>South Africa</i>	32%	44%	24%
34 Country Average	53%	34%	12%

Table 1: Sources of Revenue of Third Sector Organizations in Selected Countries

Source: Salamon, Sokoloski and Associates (2004)

Within countries, substantial variation exists among different parts of the third sector. This is well illustrated by data from the United States. Overall, in 2005 some 70% of the revenue of reporting public charities derived from fee income broadly defined, consisting of a combination of privately paid fees and charges as well as fee and contract revenues paid to nonprofits by government (Wing, Pollak and Blackwood, 2008). Another 12% of revenue derives from charitable contributions, 9% from

government grants, 5% from investment income, and 3% from other sources. However, these overall proportions vary widely by sub-sectors within the nonprofit sector, and indeed among individual organizations within sub-sectors.

Table 2 illustrates some of these differences. Organizations in health care, for example, are very largely dependent on fees (substantially through government insurance programs) while those in the arts, environment and international work depend more on gifts and grants. Social services and education are also highly fee dependent. Government sources are particularly important in human services, health care and international work.

	Fees	Private Gifts	Gov't Grants	Invest. Income	Other
All	70.3%	12.3%	9%	5.4%	2.9%
Arts	31.3%	40.8%	12.5%	7.7%	7.7%
Education	55.9%	14.9%	11.9%	14.1%	3.1%
Environment	25.1%	48%	14.1%	5.8%	6.9%
Health	87.5%	4%	3.4%	2.9%	2.2%
Human Services	53.1%	16.4%	22.7%	2.9%	4.9%
International	7.6%	67.3%	21.9%	2.2%	1%

Table 2: Sources of Revenue for U.S. Nonprofit Organizations by Field of Service

Source: Wing, Pollak and Blackwood (2008)

The degrees to which revenue portfolios within subsectors are varied also differ among fields of service. Table 3, which reproduces data from Chang and Tuckman (1994) using a Herfindahl index, indicates that average concentration of revenue from particular sources among organizations within a field, as well as the variation of this concentration, differ from field to field within the U.S. nonprofit sector. The Herfindahl index varies between 0 and 1, the latter signifying total concentration in one source of

revenue. Hence, the lower the index, the more diversified is the revenue portfolio of a given organization.

Subsector	Mean Concentration	Standard Deviation	Coefficient of Variation
Arts/Culture	0.50	0.22	0.44
Education	0.67	0.22	0.33
Health	0.71	0.22	0.31
Human Services	0.65	0.23	0.32
Total	0.66	0.24	0.36

Table 3: Concentration of Nonprofit Revenues by Field of Service

Source: Chang and Tuckman (1994)

Thus, revenue sources in health care are much more concentrated from one source (fees) than they are for education and human services, with arts and culture nonprofits the least concentrated in one source. However, arts organizations tend to vary more widely in their concentration as measured by the coefficient of variation that compares the mean of the concentration index to its standard deviation. Overall, Chang and Tuckman found the nonprofit sector's revenue concentration to be 0.66 on average, a value that would be obtained by having roughly 75% of revenue from one source and 25% from another.

Most of the research on income sources for third sector organizations in the U.S. has been based on data from Internal Revenue Service Form 990 which focuses almost entirely on money income. It is well to note for purposes here, however, that a substantial proportion of the economic support for nonprofits in the U.S. derives from volunteer labor and that this too varies substantially by sub-sector. Estimation of the money value of volunteer labor is not without controversy but reasonable estimates suggest that, overall in the U.S. nonprofit sector, it is roughly equal to the value of private charitable contributions; moreover, volunteering tends to be concentrated in particular

fields of activity, especially religion and educational or youth services (Wing, Pollak and Blackwood, 2008).

In the U.S. and Western Europe, various types of resources funded social enterprise in the 1980s and 1990s. The proportion of earned income generated by nonprofit organizations in the U.S. grew significantly in the 1980s predicated theories that defined social enterprise by earned-income strategies (Kerlin, 2006). In recent years, however, private foundations increasingly supported individual social entrepreneurs through education programs and grants (Kerlin, 2006). Meanwhile in Western Europe, the forms rather than the volume or the share of government funding changed. European entrepreneurial initiatives relied on a mix of resources which varied according to the needs to be addressed and local contexts (Defourny and Nyssens, 2008).

If the entrepreneurial skills needed to acquire and sustain fee income, charitable contributions, government funding, investment income and volunteer support, differ, then the forgoing data suggest that social entrepreneurship capacities required for success in different parts of the third sector will also vary. As reviewed next, the literature is somewhat imprecise on this issue but seems to suggest that there are both commonalities and differences in entrepreneurial skills carried out in different sectors of the economy. The implications for social entrepreneurship may be subtle, however, because the sources of support in the third sector both overlap with business and government sources, and vary more widely than they do for government or business ventures. Moreover, the sources of support for new ventures may be different from the average patterns of support for third sector organizations in their various fields of activity. Furthermore, venture support may vary over the life cycle of social enterprises to which social entrepreneurs devote themselves. Social entrepreneurs may thus require skills common to business sector and public sector entrepreneurs, and other skills that are distinct.

Entrepreneurial Capacities

The modest but growing literature on social entrepreneurship must be put into the context of a much more robust overall literature on entrepreneurship, most of which is implicitly focused on the business sector but which is often generic in its approach to entrepreneurship as a phenomenon. An interesting overview is provided by Cunningham,

Barton and Lischeron (1991) who review six schools of thought about entrepreneurs: the *great person* school which focuses on intuition, instinct and natural ability; the *psychological characteristics* school which emphasizes personal values, risk-taking propensity, need for achievement and other personal proclivities; the *classical school* which focuses on the process of entrepreneurship, including the creation and exploitation of opportunity and innovation; the *management school* which emphasizes that entrepreneurs need certain kinds of management skills to successfully run and grow their organizations; the *leadership school* which emphasizes abilities to adapt to change, assume responsibility, and inspire and motivate people; and the *intrapreneurship school* which emphasizes the special capacities to recognize and exploit opportunities within existing organizations, including the ability to set up new units, services and programs. Cunningham and Lischeron (1991) integrated all six schools of thought into one generic entrepreneurial process with four iterative stages: evaluating self; recognizing opportunities; acting and managing; and reassessing the need for change.

Various recent contributions to entrepreneurship research elaborate on one or more of these different ideas about entrepreneurship. For example, Smilor and Sexton (1996) emphasize leadership characteristics, capacities and skills of entrepreneurs, while Hisrich (2006) and Stevenson (1999) study how entrepreneurs make managerial decisions compared to other managers. Some economists have reintroduced entrepreneurs into economic theory. Baumol (2002) focused on the relationship between independent entrepreneurs and large corporations seeking to engage them for purposes of innovation, while Kirzner (1979) illuminated how entrepreneurs exploit market dislocations to help markets readjust to new equilibrium conditions.

Several scholars have compared entrepreneurship in the public sector to entrepreneurship in the business sector. Kearney, Hisrich and Roch (2008) compare public and business (corporate) intrapreneurship, i.e., entrepreneurship undertaken within corporate or bureaucratic organizations in government vs. business. First, in business, entrepreneurship tends to take place in smaller, more flexible organizations with clear goals, compared to larger, hierarchical and more rigid organizations in the public sector which feature conflicting goals and less control over internal resources. Second, the public sector environment is less conducive to entrepreneurship in various respects,

including administrative pressures, short term budgets and planning horizons, lack of rewards and incentives to innovate, cultures of risk aversion, lack of skill sets pertaining to change and risk management, political reluctance to close down failing organizations and programs, turf and coordination issues among bureaucratic entities, resistance to change of unions and middle management groups, limits on public resources, resistance from competing private sector organizations or other groups that would be affected by a new government program, and lack of public confidence. These issues require public sector entrepreneurs to be skilled in persuasion, compromise and accommodation, and associated talents including problem solving, vision articulation, resource development, alliance and coalition building, navigating the legislative process, and sharing credit with program participants and supporters.

Some important differences are also salient between business entrepreneurs and social entrepreneurs. First, for social entrepreneurs, mission is central. Thus, mission impact rather than wealth creation is the overriding criterion of success for such entrepreneurs. It follows that business entrepreneurs can more easily use the market to judge their success, whereas social entrepreneurs must often depend on non-market resources to achieve their missions. Nonetheless, survival and growth of their ventures are only weak measures of effectiveness for social entrepreneurs because much of the social value they produce may not be captured by payments (reflecting willingness to pay) by beneficiaries.

The specialized literature on social entrepreneurship identifies a number of important skill sets required for success. Some authors focus on “nonprofit entrepreneurs” while (more recently) others specify “social entrepreneurs” as the objects of their study. Young’s (1983, 1985) early work on nonprofit entrepreneurship identified a number of generic capacities including problem-solving ability, ingenuity and creativity, analyzing risks, identifying opportunities, consensus building, mobilizing resources and persistence. In later work, Young (1990) elaborated on some of these dimensions: Risk-taking included jeopardizing professional reputation and secure employment. Political skills included negotiating grants and contracts, securing sponsorship of key supporters, working to pass enabling legislation, and satisfying regulatory authorities. Persistence included the patience to overcome financial,

regulatory, political and bureaucratic barriers, especially in the context of government funding.

Waddock and Post (1991) argued that social entrepreneurs required the ability to understand extremely complex problems and to form a convincing vision for solving them. Social entrepreneurs required the personal credibility to secure critical resources, build networks of support for their initiatives and frame a sense of collective purpose for those who support them. Pilz (1995) found that nonprofit entrepreneurs needed the ability to discern community needs, take risks, develop innovations and focus on what they could do for others. Brinkerhoff (2000) viewed social entrepreneurs as stewards of the public interest who must be able to identify new ways of serving constituents and adding value to existing services; take reasonable risks; understand the difference between wants and needs; understand social and financial returns to investments; and focus on mission as well as financial feasibility.

Dees (2001) focused on the role of nonprofit entrepreneurs as change agents in the social sector, noting that they had the ability to adopt a mission to create social (not just private) value; recognize and relentlessly pursue new opportunities to serve the mission; engage in continuous innovation, adaptation and learning; act boldly even without resources currently in hand; and demonstrate a sense of accountability for desired outcomes for the constituencies served. Citing various contributions to the literature, Dees also noted that social entrepreneurs have much in common with business entrepreneurs, including drive, ambition, leadership skills and a sense of how to make maximum use of resources. Thompson, Alvy and Lees (2000) also argued that skills and characteristics of social entrepreneurs mirror those of business entrepreneurs but require an extra dose of “visionary ideas, leadership skills, and a commitment to helping others” (p.328). In particular, they must be able to discern unmet public needs and mobilize resources and people (including money and volunteers) to address those needs. Alvord, Brown and Letts (2004), using data from seven well established organizations, suggest that social entrepreneurs need the capacity to bridge diverse stakeholder communities and adapt in response to changing circumstances over the long term. Light (2006) identified problem solving skills, use of high performance management techniques, and ability to build new programs and organizations from scratch as key defining characteristics of

social entrepreneurs. Handy, Kassam and Ranade (2007) saw strong parallels between nonprofit and business entrepreneurs in their ability to overcome challenges and constraints, identify new opportunities, promote innovative ideas, mobilizing resources and bearing risks. Wei-Skillern, Austin, Leonard and Stevenson (2007) found both substantial similarities and differences between social and commercial entrepreneurs. Both must be able to engage the human talent they need for their ventures; both must know the industries within which they work and they must be known by others for their abilities within these industries; and both must maintain robust networks of contacts that gain them access to funds, human talent and other resources. The differences, according to Wei-Skillern, Austin, Leonard and Stevenson, pertain largely to how they raise and utilize capital: Commercial entrepreneurs can draw on a much more robust and competitive field of commercial investors that often provide a substantial proportion of relatively long term funding for their ventures, with a wide range of financial instruments to meet needs at different stages of organizational development once viability is demonstrated. Social entrepreneurs faced a much more diverse field of potential funders ranging from individual contributors and volunteers, to foundations and government sources, each with different interests, preferences and motivations. Moreover, investors in social enterprise tend to cover smaller proportions of overall resource needs for shorter periods of time. This requires social entrepreneurs to spend much of their time cobbling together numerous grants, contracts and contributions, over longer periods of time, while responding to the diverse requirements and constraints of each source of funding. Finally, Helm and Andersson (2008) argued that nonprofit entrepreneurship consists of three fundamental factors that constitute the basis of a scale of entrepreneurial orientation: innovation, proactiveness and risk taking. Innovation is the creation of new programs, services, processes, policies or other outputs through a new combination of existing inputs or the application of an existing activity to a new area. Proactiveness is action in response to perceived opportunities that are not yet proven or manifest. And risk taking is the willingness to engage in behavior that disrupts existing internal or external norms.

In sum, the literature on social and nonprofit entrepreneurship is not precise in its determination of how third sector entrepreneurship is different from its counterparts in

the business or government sectors. But there is some consensus about the generic dimensions of entrepreneurial capability across sectors and as well as how the manifestation of these differences may vary across sectors. One of the key reasons cited for differences between social, business and public sector entrepreneurship is the different kinds of resources entrepreneurs need to be able to mobilize in order to be successful in alternative sectors, and fields within sectors. In the next section, we consider how the resources required for social entrepreneurship deriving from different sources – markets, government or philanthropy – help determine the necessary skill sets required for entrepreneurial success.

Resources and Entrepreneurial Skill Sets

Broadly speaking, in order to mobilize resources for their ventures, social entrepreneurs operate in one or more of three different environmental settings: the economic marketplace, the political arena and the world of charity and philanthropy. Indeed, these arenas overlay one another but they require somewhat different sets of entrepreneurial skills – including business skills associated with securing capital and selling products and services in a marketplace, political skills associated with garnering the support of various constituencies and stakeholders, and management skills associated with making wise and responsible use of the various kinds of resources needed to sustain ventures. It is fair to say that entrepreneurs require a mix of these skills, no matter what sector they operate within. For example, a business entrepreneur obviously needs market skills, but also political skills to secure necessary permissions, licenses and perhaps even funding from government. That same business entrepreneur will need to ensure that resources are wisely and honestly spent and accounted for, and may also need to demonstrate good citizenship in the community, for example, by sponsoring a youth club, volunteering on a board, or heading a fund raising campaign for United Way, in order to create an ambiance for business success. By and large, however, the relative importance of market, business, and managerial skills is likely to be different for business versus social entrepreneurs, because these groups rely on different sources of support for their ventures. Table 4 sketches out some of the differences in the nature and importance of market, political and management skills associated with the mobilization of different

categories of resources. The premise here is that these three categories of skills are generic but their manifestations and relative importance are likely to be different, depending on the nature of the resources social entrepreneurs require to support their particular ventures.

	Market Skills	Political Skills	Management Skills
Earned Income	Business planning Product marketing and pricing <i>Venture capital acquisition from commercial and philanthropic sources</i>	<i>Cultivating relationships with business partners, suppliers and investors</i> Maintaining good customer and community relations Maintaining networks of colleagues and professionals within the industry addressed by the venture	<i>Financial planning and management</i> Maintaining workforce morale and productivity
Government Funding	<i>Assessing political needs and opportunities</i> Framing ideas and proposals Identifying grant, contract and partnership opportunities Competing for grants and contracts	<i>Cultivating relations with government officials and politicians</i> Advocating for favorable legislation Maintaining a positive public image Developing a good reputation within industry and community	Evaluation and performance assessment skills <i>Adherence to government regulatory and reporting requirements</i>
Charitable Giving and Volunteering	<i>Prospect research</i> Grant writing Donor solicitation through annual and capital campaigns Cause marketing and branding Developing and projecting vision	<i>Cultivating potential and current donors</i> Cultivating volunteers Cultivating foundation and corporate officials Developing a favorable public image	Strategic and business planning <i>Volunteer management</i> Fund accounting <i>Coordinating diverse performance assessment requirements</i>

Table 4: Alternative Entrepreneurial Skill Sets for Mobilizing Venture Resources

Implications for Social Entrepreneurship

If we juxtapose the diverse requirements associated with different funding sources described in Table 4 (especially those highlighted in italics) with the variety of funding mixes exhibited by third sector organizations in different fields of service, it is tempting to prematurely conclude that social entrepreneurs require different skill sets according to the organizational circumstances of their ventures. However, this analysis must be further nuanced because it does not necessarily follow that the funding mix for a new entrepreneurial venture will mirror the funding mix of the organization or subsector in which the venture is embedded. In the first place, many social ventures manifest themselves in the form of new organizations which have no previous history of reliance on particular sources of income. Furthermore, entrepreneurial ventures emanating from established organizations are commonly activities *at the margin* which add incrementally to the pre-existing programming of the organization in which they are undertaken. Hence, they are not necessarily intended to continue the existing pattern of programming and funding. Indeed, third sector organizations which are heavily dependent on a given type of revenue, say foundation grants, might specifically seek to pursue social ventures for the purpose of *diversifying* their revenue bases into earned income. Conversely, organizations heavily dependent on earned income might seek to diversify their revenue through philanthropic support. This was the case, for example, of the Steppenwolf Theater in Chicago which began as an “edgy” performance group that supported itself solely on ticket sales and the sweat equity of its founders. This social enterprise eventually grew by establishing a solid donor base to support itself as it evolved into a mature organization (Proscio and Miller, 2003). More generally, a recent study by Miller (2008) suggests that most individual nonprofit organizations have either one or two major revenue sources and that organizations funded by two sources tend to be financially healthier than those with only one source. A probable scenario is that organizations (like Steppenwolf) tend to start with one source and later acquire a second source. It is not clear which particular sources social entrepreneurs rely on to get started – this may vary by circumstances. It is clear, however, that ultimately many social entrepreneurs need to be well versed in the skills associated with acquiring and managing more than one source of resources to sustain their ventures.

Funding sources vary for social ventures within the same subsector providing similar services, and variation exists between individual organizations and the average funding mix for the field. For example, U.S. nonprofit organizations in the human services field depend on fees for 53 percent of revenues, government grants for 23 percent, contributions for 16 percent, other income for 5 percent, and 3 percent on investment income (Wing, Pollak and Blackwood 2008). Cordes and Steuerle (2008) describe three entrepreneurial organizations within the human services field that provide similar services, specifically job training for at-risk populations. Each relies on a different funding mix:

- The Delancey Street Foundation: receives 23 percent of its total revenues from business income, and 23 percent from the wages that its clients would otherwise be paid (they receive food, shelter, and clothing, but not wages). The rest comes from private contributions, government contributions and interest.
- Pioneer Human Services: the sales of products and services account for 62 percent of total revenues, government contracts such as prison work release make up 29 percent, and contributions provide less than 0.5 percent.
- Juma Ventures: receives only 19 percent of total revenues from sales, and contributions comprise 69 percent.

All three organizations rely on more than one source of revenues and all receive earned income. But Pioneer Human Services depends on business income more intensely than the field as a whole and certainly more than Juma Ventures.

It seems fair to speculate that social entrepreneurial ventures are launched mainly with the intent of developing strong streams of earned income. However, such ventures also need to raise venture capital which is likely to derive from philanthropic sources; moreover social ventures, even if successful in achieving mission-related goals, are not necessarily sustainable on the basis of market income alone. The only way to determine the required resource-related skill set is to examine the financial underpinning of social enterprise ventures from their inception, relative to their parent organizations if they are launched in this way, and in the context of the fields of service in which they arise. Moreover, as suggested above, the organizational life cycle of a social venture is likely to influence the funding mix and hence the requisite entrepreneurial skill sets.

Indeed, one suggestive, preliminary study in Ontario, Canada by Dart, Armstrong, and Clow (2008) finds that so-called social purpose businesses depend very little on earned income and in fact struggle to obtain their main source of sustenance, government grant funding. This result may not be surprising in the Canadian context. However, the dependence of social enterprise on other than earned revenue, and hence the requirement that social entrepreneurs be skilled in securing non-market sources of revenue, is a more general phenomenon. In the next section we examine some examples of social ventures launched in different fields and organizational contexts, mostly in the U.S., to investigate this issue.

Cases

The following cases are varied both by field of service and whether they are start-ups of independent organizations or ventures within existing organizations. They constitute an illustrative but small and non-representative sample, gathered from several recent published compilations, namely Wei-Skillern, Austin, Leonard and Stevenson (2007), Wolk (2008), Oster, Massarsky and Beinhacker (2004), and Dorsey and Galinsky (2006). The appendix contains summaries of the following organizations, their entrepreneurial capacities, and sources of funding.

- National Foundation for Teaching Entrepreneurship (NFTE) is an educational nonprofit organization created by former teacher Steve Mariotti that promotes entrepreneurial literacy among high-risk, disadvantaged minority youth and helps them start their own businesses.
- Newman's Own, Inc. is a for-profit food company established by well known actor, Paul Newman and his associates that distributes all profits to benefit social causes.
- Ka-BOOM! is a nonprofit organization founded by social entrepreneur Darell Hammond to build safe playgrounds for children in low income neighborhoods in the U.S.
- STRIVE (East Harlem Employment Service) is an employment training and placement program for at-risk youth in low income communities founded by Sam

Hartwell, a successful Wall Street executive who had served on several nonprofit boards.

- Triangle Residential Options for Substance Abusers, Inc. (TROSA) is a residential substance abuse treatment program built by Kevin R. McDonald who was formerly associated with the Delancey Street Foundation.
- ReServe is a nonprofit volunteer placement service in New York City that manages a pool of skilled retirees interested in positions in nonprofits and public agencies. New York philanthropists, Jack Rosenthal and Herb Sturz, had the initial idea for the service and helped secure seed funding.
- The Independent Transportation Network (ITNAmerica) is a nonprofit transportation service for seniors and the visually impaired. Katherine Freund established INTAmerica after her son was hit by an 84-year old driver.
- College Summit is a nonprofit organization established to build the capacity of high schools to increase the numbers of students applying to college. Founder J. B. Schramm previously worked as the director of a teen center.
- Louisiana ArtWorks is a 93,000 square foot nonprofit facility designed to serve the needs of artists, art organizations and the public while strengthening economic development in New Orleans. Shirley Trusty Corey, longtime head of the Arts Council of New Orleans, spearheaded the project.
- Benetech is the umbrella name for two public charities and one for-profit subsidiary established by electric engineer-turned-entrepreneur, Jim Fruchterman to provide technological solutions to address social issues.
- Mental Disability Rights International (MDRI) is a nonprofit organization established by lawyer Eric Rosenthal to report on human rights enforcement and to promote international oversight of the rights of people with mental disabilities.
- Men on the Side of the Road (MSR) is a nonprofit organization with nationwide networks in South Africa and Namibia that serves unemployed men. Social entrepreneur Charles Maisel founded MRS.
- International Bridges to Justice (IBJ) is a nonprofit organization dedicated to ensuring the basic legal rights of ordinary citizens in Asia. Founder Karen Tse is a human rights lawyer and Unitarian Universalist minister.

- Gay-Straight Alliance Network (GSA Network) is a youth leadership organization established by Carolyn Laub that connects school-based Gay-Straight Alliances (GSAs) to each other and community resources.

Overview

While these varied cases in social entrepreneurship are similar in many ways to entrepreneurship in the business sector, they also vividly illustrate some key differences with business entrepreneurship. While most cases do begin with the grit and determination of an entrepreneur willing to invest “sweat equity” in building the enterprise, few of these cases mirror the typical business scenario of private venture capital investment followed (hopefully) by the generation of a stream of sustaining earned income from market sales. Concomitantly, the entrepreneurial capacities required in these social enterprise ventures vary considerably in the degree to which they emphasize marketplace skills, political skills and skills of organizing and managing a formal organization. Table 5 offers a rough prioritization of the importance of these skill sets for each of the above cases.

A few patterns stand out in the table. First, philanthropy is by far the most common principal source of sustaining funding for the selected social enterprise ventures. Only three of our fourteen selected cases depend principally for their sustenance on earned income. This is not to imply that these ventures are failures, merely that it appears to be a serious misconception that social enterprise is just about earned income. These ventures generate substantial public benefits but they are generally not sustainable or best supported by the marketplace but rather by some combination of sources among which philanthropy stands out.

Second, the most common skill set for these social enterprises involves political skills such as coalition building, persuasion and negotiation with key parties including volunteer groups, funders, government agencies and others. Market skills per se, including the ability to find market niches and promote products and services, which would tend to dominate in business entrepreneurship, generally take second place to these political skills, although these ventures commonly start with an intuitive and well-conceived idea focused on some unmet social need. The ability to manage an

organization and its stakeholders is also an important skill set in many of these ventures, although this does not seem to rise to the level of top priority in any one instance.

Case	Market Skills	Political Skills	Management Skills	Principal Funding Source
NFTE	3	1	2	Philanthropy
Newman's	1	3	2	Earned Income
Ka-BOOM!	2	1	3	Philanthropy
STRIVE	2	1	3	Philanthropy
TROSA	1	3	2	Earned Income
ReServe	3	1	2	Philanthropy
ITNAmerica	2	1	3	Philanthropy
College Summit	2	1	3	Philanthropy
La. Art Works	3	1	2	Government
Benetech	1	3	2	Earned Income
MDRI	2	1	3	Philanthropy
MSR	2	1	3	Government
IBJ	2	1	3	Philanthropy
GSA Network	2	1	3	Philanthropy

Table 5: Entrepreneurial Skills for Selected Social Enterprise Ventures

Conclusion

In some ways, social entrepreneurship is no different than business entrepreneurship – both are varieties of entrepreneurship generically defined as establishing a programmatic or organizational venture that offers something new and path-breaking. There are various elements, skills and motivation to all entrepreneurship. However, social enterprises develop in different economic contexts and for different purposes than new business ventures. Their sources of support both in terms of initial

capital investment and long term operating income are likely to be quite varied and only rarely exclusively reliant on conventional investment capital or a sustaining level of earned revenue from market-place sales.

The fact that the third sector environments in which social enterprises develop are themselves quite varied in terms of sustaining sources of income argues that social entrepreneurs either require a wide range of business, philanthropic and government-related skills or that they need to become specialized to the particular subsectors in which they work. The latter may hold to a certain degree, as social entrepreneurs often begin with an insight built on special knowledge, experience, and expertise in their chosen fields of service. However, it also appears to be the case that most social entrepreneurs need to be conversant with more than one institutional source of support – usually some combination of earned income, philanthropy and government funding, as well as the mobilization of volunteer effort.

The case studies reviewed here suggest a surprising result – that philanthropy not earned income – may be the principal sustaining source for contemporary social enterprise ventures, this despite the fact that philanthropy is generally less important than earned income or government support in the nonprofit sector as a whole. The case studies summarized here are not a representative sample and not too much confidence should be put into this observation. A definitive, representative sampling and study of social enterprises has yet to be made, in the U.S. or elsewhere. (This is an important research challenge for the future.) Still, if the forgoing pattern is anywhere near the truth, it suggests some interesting explanations. First, like new businesses, new social ventures have a difficult time surviving in the market place. Yet they often achieve or promise important social benefits. Hence, their providers of philanthropic capital often help keep them going until they can mature into self-sustaining organizations. Second, those social benefits cannot often be sustained in the marketplace alone; hence, even in the long term, social enterprises are likely to depend on a mix of income sources – earned income supplemented with philanthropy, government support, investment income and volunteer labor.

What are the implications of this for the education of social entrepreneurs?
Currently there are essentially two contemporary versions of graduate education

addressed to the future social entrepreneur. Some would-be social entrepreneurs study in business schools, e.g., MBA programs with an emphasis on commercial entrepreneurship education. Increasing numbers of such students hope to establish their own “social purpose businesses” that combine material and social goals. Other would-be entrepreneurs are being educated in programs of nonprofit management education – many hoping some day to establish or lead their own nonprofits. If the preliminary observations of this paper hold true, then neither of these educational approaches appear to be sufficiently comprehensive. There is no question that social entrepreneurs require the generic entrepreneurial motivations and business skills for which they are respectively selected and taught in business schools. It also the case, however, that social entrepreneurs must be conversant with philanthropy, government and volunteerism and the skills required to successfully negotiate those institutions. These are areas of expertise now emphasized in the hundreds of programs in nonprofit management education that have developed in U.S. universities, largely in schools of public administration (Mirabella and Wish, 2001).

In some ways, social enterprise and social entrepreneurship are nothing new – perhaps a repackaging of the entrepreneurial energies that have long characterized social purpose initiatives in the nonprofit sector of the economy in the U.S. and in other third sector manifestations (such as cooperatives) elsewhere in the world. What is new, and seemingly naive, is the notion that business forms can supplant these traditional manifestations (Edwards, 2008) and achieve their goals through profitable earned income activity. No doubt the business entrepreneurship tradition has brought new energy to the field of social purpose enterprise, but business education per se falls short of what is needed to prepare the new social entrepreneurs. A more considered perspective would recognize that social purposes ventures are more complex than pure business ventures and require the knowledge that can be brought to bear by combining business entrepreneurship and nonprofit management education.

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