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Towards an integrated framework for opportunity evaluation and creation for social enterprises

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Abstract

Social entrepreneurship holds promise for finding solutions to some of society's most pressing problems. From this perspective, supporting the successful creation of social enterprises is vital. This study investigates the processes by which opportunities are evaluated and created for social enterprises. It employs an explorative and qualitative methodology. Data is sourced from 12 social entrepreneurs and four social funders in South Africa using focussed semi-structured interviews.

The study finds that social entrepreneurs employ multiple approaches to the evaluation and creation of opportunities, frequently disregarding formal evaluation (causation) and relying on the logics of bricolage and effectuation to create opportunities to sustain their organisations. Through investigating contextual factors and opportunity risks, along with the application of design thinking and lean start-up principles in practice, a set of overlapping frameworks are developed.

This study is limited to a sample of South African social entrepreneurs and funders. It finds application for both social entrepreneurs and impact investors in the evaluation and creation of opportunities for social enterprises.

This study provides deeper analysis of the process of social venture creation and the related processes of opportunity evaluation and creation. By providing a more granular view on the enactment of processes, along with the contextual and intrinsic factors that drive them, a step has been taken in the direction of an integrated framework for effective opportunity evaluation and creation for social enterprises.

Keywords

Social enterprise, opportunity evaluation and creation, opportunity risk, theory of change, lean start-up

Declaration

I declare that this research project is my own work. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration at the Gordon Institute of Business Science, University of Pretoria. It has not been submitted before for any degree or examination in any other University. I further declare that I have obtained the necessary authorisation and consent to carry out this research.

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Contents

List of Figures

List of Tables

CHAPTER 1. Introduction to the Research Problem

1.1 Background to the research problem

Globally, social problems are prevalent, and effective and affordable methods for addressing these solutions are lacking (Zeyen et al., 2013). Due to an accumulation of market and institutional failures, resource constrained governments are unable to act to satisfy the social deficit (F. M. Santos, 2012; Urban, 2014). Due to these factors, the emergence of social entrepreneurship has gained much attention from governments and academics alike (Zeyen et al., 2013). This attention is due to the potential of social entrepreneurship to address market and institutional failures by creating positive externalities, access to resources, and knowledge that would not have been possible through normal market forces or institutional intervention (Azmat, Ferdous, & Couchman, 2015; Mair, Martí, & Ventresca, 2012; Simanis & Hart, 2008; Singh, 2016, p. 6; Zeyen et al., 2013). Social entrepreneurship, and in particular social enterprises, offer sustainable solutions to ongoing worldwide poverty and moral injustice (Smith, Gonin, & Besharov, 2013).

Strongly linked to the unequal distribution of property rights, the combination of overconsumption, underinvestment, and strategic and profit-maximising behaviour lead to market and institutional failures (Zeyen et al., 2013). Markets are often inefficient at valuing social progress, public goods, and benefits to disadvantaged groups (Dees, 1998). Social outcomes in poverty-stricken regions around the world are of critical importance (Urban, 2014). In the global arena, much as in South Africa and the rest of Africa, interest in social entrepreneurship is mounting due to its ability to address the "wicked" problems of sustainable development (Littlewood & Holt, 2018). This has also given rise to a host of funders and funding institutions that seek positive social impact through their investments. Under the banner of impact investing, institutions like social venture capital, venture philanthropy, social stock exchanges, and ethical banking institutions have emerged. Further to this, pension funds, corporate foundations, and governments seek positive social impacts through investments with a mix of returns, or through recovering only portions of the loan principle, accepting the risk for social returns (Mair & Sharma, 2012, p. 178; Spiess-Knafl & Achleitner, 2012). The rapidly-growing impact investing industry is estimated to grow to $1 trillion in 2020.

Social enterprises are hybrid organisations that are situated between traditional non-profit organisations and commercial firms. Traditional non-profit organisations create benefits to society through revenue streams derived purely from philanthropy or grants, whilst commercial firms in contrast are focussed only on the creation of shareholder value. Hybrid social enterprises create social value, yet also generate their own profits (Mair & Sharma, 2012). Importantly, in addition to a commercial mission, social enterprises have an explicit social mission and social value creation imperative. Instead of accruing profits to shareholders, these organisations will reinvest profits back into the organisation to enable the creation of further social value (Holt & Littlewood, 2015; Mair & Sharma, 2012; F. M. Santos, 2012).

Social and commercial firms have the opportunity to serve society as centres of decentralised problem solving, yet social enterprises exemplify this by purposefully confronting social problems and subsidising these actions through a market orientation (Zeyen et al., 2013). Social entrepreneurs intervene in markets where commercial entrepreneurs do not venture, these being where the possibility for value capture is far less than that of value creation. By addressing neglected problems with positive externalities, social entrepreneurs create benefits that positively affect society beyond those enjoyed by the entrepreneur (F. M. Santos, 2012). Like commercial entrepreneurship, social enterprises assume an efficiency driven approach to resource allocation, human capital, and innovation – an approach that is then combined with the vision, values, and focussed mission of a traditional non-profit organisation (Battilana, Lee, Walker, & Dorsey, 2012).

Interest in social enterprises has escalated in academic literature. Hybrid social enterprises are capable of developing sustainable business models that are able to provide long term positive social impact (Holt & Littlewood, 2015; Stephan, Patterson, Kelly, & Mair, 2016). Addressing social problems requires either the effective elimination of the root cause, or the institutionalisation of interventions that continually address them (F. M. Santos, 2012). Considering the potential that social entrepreneurship holds for societal development, it is of great importance that research in the field be advanced.

1.2 The research problem

Research in social entrepreneurship is widely considered to be under-developed (Choi & Majumdar, 2014; Rey-Martí, Ribeiro-Soriano, & Palacios-Marqués, 2016). Interest in nascent-stage entrepreneurship is also a relatively new area of academic focus (Lanteri, 2015). Further to this, very little research has been undertaken on the process by which social entrepreneurial opportunities are discovered or identified, evaluated, formalised, and subsequently exploited (González, Husted, & Aigner, 2017; Perrini, Vurro, &

Costanzo, 2010). This also implies that the process of opportunity evaluation for social enterprises itself is under-researched and therefore a valuable area of research. The development and refinement of theory, inspired by and relevant to practice, can serve in the understanding of both the process of social entrepreneurship and nascent social entrepreneurs (Lanteri, 2015). Research in social enterprise creation and opportunity evaluation is critical, as social entrepreneurs need to be able to organise activities to enable them to sustainably address social problems (Perrini et al., 2010).

Perrini, Vurro, and Costanzo (2010) indicate that opportunity evaluation in social entrepreneurship entails the evaluation of the intended social benefits that are to be traded off against the economic viability of the opportunity, in order to seek business models that are sustainable whilst providing long term social impacts. However, they do not provide details on the execution of these trade-offs. Trading off social impacts against economic value suggests that the pre-investment forecasting of social and financial value is required. As opposed to financial forecasting, methodologies for the forecasting of social benefits or impacts are uncommon. Furthermore, the process of impact measurement is complex, with reliable measurements difficult to obtain (Grieco, Michelini, & Iasevoli, 2015). This fact is likely to complicate the process of evaluation, which is a fundamental process in the realisation of entrepreneurial ventures (Urban, 2014). Similar to the trade-offs suggested by Perrini et al. (2010), impact investments with social returns of an equal or higher value than financial returns is considered a success measure (Höchstädter & Scheck, 2015). Although many models for social impact assessment exist, many are complex, not generalisable, time consuming, costly, and requires extensive data gathering, while only a few offer a prospective view (Grieco et al., 2015, p. 1183). General consensus in the literature points to difficulties in measuring social value (Grieco et al., 2015; Rawhouser, Cummings, & Newbert, 2017). As a result, and in the face of a typically resource-constrained environment, social entrepreneurs employ novel ways of providing reporting information and self-assessment, combining portions of extant methodologies with available information, which often leads to friction between social entrepreneurs and investors due to the lack of a formalised approach (Molecke & Pinkse, 2017).

Surprisingly, the literature indicates that the process of evaluation is often either not undertaken formally, undertaken post-establishment of the venture, or not at all (Dobson, Boone, Andries, & Daou, 2018; Michelucci, 2017; Perrini et al., 2010). Alternatives to opportunity evaluation exist, and instead of formal evaluation, entrepreneurs frequently create opportunities for their organisations using the logics of bricolage and effectuation

(González et al., 2017; Servantie & Hlady Rispal, 2018). The process of piloting that may be supported by lean start-up principles is another viable avenue for the evaluation and creation of opportunities in entrepreneurship, and one which has been applied in social entrepreneurship (Semcow & Morrison, 2018; Yang, Sun, & Zhao, 2018). Added to this, design thinking has shown promise through its creation of viable products and services in social entrepreneurship (Selloni & Corubolo, 2017). Despite this, research is inceptive on the use and effectiveness of user-centric design in social enterprise creation. With a prevalence of alternative routes to social enterprise creation, questions arise as to how social entrepreneurs evaluate or create opportunities for social enterprises.

Further to the above, social entrepreneurs seeking to found organisations are likely to encounter unique market, cultural, and institutional barriers that will affect them through the process of organisation formation and into the operational stage (Robinson, 2006). Operating in resource constrained environments means that distinct market characteristics abound, which need to be taken into consideration in the evaluation or creation of opportunities. A lack of mobility and connection in these markets means that accessibility to products are likely to be constrained (F. M. Santos & Birkholz, 2015). Added to this is the perceived value that beneficiaries and customers are likely to hold for the products and services offered. Social entrepreneurs need to be able to create products and services that have value. However, very little research has been undertaken on the particulars of perceived value in resource constrained markets (Hlady-Rispal & Servantie, 2018). The perceived value of products and services is also likely to impact on the potential for value creation. Consideration of an organisation's potential for value creation is of critical importance in opportunity evaluation, as it determines the potential for value capture. Well designed and managed business plans, with sufficient potential for value creation, result in sustainable businesses (Bocken, Short, Rana, & Evans, 2014; Zeyen et al., 2013).

Although business model design for organisational sustainability is a relatively recent addition to the literature, it has become widely adopted in practice. Business models provide a holistic view on business operations, and explains how value is created and captured through its selected architecture (Zott, Amit, & Massa, 2011), and within its unique value network (Hlady-Rispal & Servantie, 2018). The business model canvas is a tool that articulates the business architecture, and it has recently been expanded to include both social and environmental layers. Central to the business model, the social value proposition emerges from the literature as the mechanism that provides value to the recipients and sets the value network in motion (Hlady-Rispal & Servantie, 2018;

Joyce & Paquin, 2016). In terms of the design of business models for social entrepreneurship, the literature provides ample detail on the innovation of the value creation mechanisms, and the landmark report by Lüdeke-Freund, Massa, Bocken, Brent, and Musango (2016) on social business model innovation, is notable. However, they too indicate that business model innovation cannot be planned, and is therefore subject to experimentation. If this is the case, questions arise as to how the business model design is approached by nascent social entrepreneurs. Questions further remain as to what trade-offs may emerge, and how these trade-offs may be balanced in the opportunity evaluation stage (González et al., 2017).

Operational social enterprises face various types of risks, with financial risk cited as key among these (Verreynne, Miles, & Harris, 2013). Impact measurement arises as a key control for impact risks, although exactly how social entrepreneurs manage this risk in the evaluation of opportunities remains an open question, given the difficulties surrounding impact measurement (Grieco et al., 2015). Further to this, the risk of mission drift has been documented in the literature. Mission drift arises when social enterprises are drawn towards either the social or commercial mission, resulting in the neglect of the other (Bruneel, Moray, Stevens, & Fassin, 2016). Questions arise as to how this risk is mitigated in early-stage social enterprises. The fact that social entrepreneurship is characterised by the activity of risk management (Roy, Brumagim, & Goll, 2014), presupposes that the risk management in the evaluation and creation of opportunities is central to the creation of sustainable social enterprises.

During the evaluation and creation of opportunities, information about the market and its potential for value creation and value capture is likely to be lacking. Added to this, information about the potential to create social value will in all likelihood be difficult to access. Due to this lack of information, entrepreneurs make decisions based on heuristics (Shane & Venkataraman, 2000). In the face of uncertainty, social entrepreneurs may also resort to information search behaviours or radical innovation (González et al., 2017). This raises further questions as to the influence of the organisational context and stakeholders on the process. Funders may act as agents, and as such have been shown to influence the vision, and subsequently the mission, of the organisation – both of which are closely related to the social value proposition. Evidence of this occurring in practice has been offered by Arvidson and Lyon (2014). Extrinsic factors may arise as critical influencing factors in the process of opportunity evaluation and creation. Although research has been done on these factors (Ebrahim, Battilana, & Mair, 2014; Yunus, Moingeon, & Lehmann-Ortega, 2010), a gap currently exists in the research in terms of the impact of stakeholders in the process of opportunity evaluation and creation.

The apparently opposing views on the process of opportunity evaluation and creation raises questions as to the processes enacted by social entrepreneurs, with existing research failing to address these questions, or explore the details surrounding the formation of social enterprises, the factors that impact on the process, or the decision variables. Verreynne, Miles, and Harris (2013) stress the importance of applying the entrepreneurial method in opportunity evaluation, as it ensures the effectiveness of organisations in meeting beneficiary needs, and effects improved products, services, and business models for operating enterprises. To this point, an integrative view on the process of opportunity evaluation and creation is required to bring together the apparently disparate literature on the factors that impact on organisational forming and performance. Here areas such as opportunity risk and the impact of contextual factors are of importance. Further to this, questions remain as to how the principles and/or processes of design thinking and lean start-up can be employed in ensuring the creation of effective and efficient social enterprises. With the objective of creating sustainable impacts to address society's most pressing problems (F. M. Santos, 2012), creating sustainable organisations is inferred to be of critical importance.

1.3 Research purpose

The purpose of this study is to provide a deeper understanding of the processes by which opportunities for the creation of social enterprises are evaluated and created, as well as to investigate the factors that impact on the processes. The lack of research in the field of social entrepreneurship, as well as on the processes by which it is enacted, is evident from the literature. More research is required to understand how the process of social enterprise creation is approached, and deeper analysis of the process of opportunity evaluation and creation is needed. The literature currently only broadly describes the process of venture creation and does not provide details on significant dynamics such as the selection of evaluation or creation processes, decision variables, forecasting methods, or factors that impact on these processes. A study into the opportunity evaluation and creation of social enterprise creation will provide valuable and practice relevant insights on how the process is enacted (Lanteri, 2015). These insights will be enriched by closer inspection of the factors that impact on the process. The literature has revealed a varied array of factors that drive social entrepreneurship and impact on operating ventures. How these factors constellate in the evaluation and creation of opportunities in the creation of social enterprises has, however, not been studied. From this perspective, research into risks that are considered and those that impact on the process will provide a deeper perspective. Further to this, business model design has become an indispensable tool in the creation of ventures, and it provides insights on the value creation and capture architecture of the business (Zott et al., 2011). While the literature has provided insight on the various types of business models and the value creation mechanisms for sustainability (Lüdeke-Freund et al., 2016; Yunus et al., 2010), it does not address the process of business model design for social enterprises during the early stages of organisational forming. Research into the process of designing business models for social enterprises during this stage will provide valuable insight on how this process is approached, and how tools such as the business model canvas, lean start-up, and design thinking may be applied in the design of sustainable business models. Finally, research into entrepreneurial processes would be incomplete without consideration of the organisational context (Garud, Gehman, & Giuliani, 2014). Investigating the contextual factors and including the impact of stakeholders in the process would create a valuable understanding of why processes are selected, how these factors impact on the processes, and how they drive outcomes.

1.4 Significance of the research

Unless research on the critical process of social enterprise creation is undertaken, society at large runs the risk of forfeiting critical opportunities to address the multiple forms of social injustice that persist around the globe. Currently, crucial resources are being wasted in addressing the symptoms of social problems, while the root causes remain unidentified and unaddressed. Social entrepreneurship holds the potential to address some of society's most pressing needs, and is able to provide solutions where governments are unable to act (F. M. Santos, 2012; Urban, 2014). Social enterprises hold the promise of finding solutions to the problems of society through innovation and self-sustaining business models (Littlewood & Holt, 2018). In researching the processes by which social enterprises are created, the field of social entrepreneurship research may be able to better contribute to societal progress.

Given this urgent need for greater insight, Perrini et al. (2010) have called for research into each of the venture creation processes, including the environmental and organisational contexts, as well as the effect of networks and resources on each of the processes. This call for research on processes of social enterprise creation is also echoed by González et al. (2017). Understanding these processes and influencing factors would aid the creation of critical theory building in nascent stage social entrepreneurship (Lanteri, 2015). Hlady-Rispal and Servantie (2018), in turn, have identified a need for research into social return on investment, value creation, and measurement. Joyce and Paquin (2016) have called for research on how the triple layered business model may be used to better effect sustainability in business models. Semcow and Morrison (2018) have indicated the need to study the potential of lean start-up in social enterprise creation. Finally, Kummitha (2018) has indicated the need for research into the adoption of design thinking in, and its contribution to, value creation in social entrepreneurship.

This study aims to contribute to the building body of knowledge regarding both entrepreneurial and social entrepreneurial processes by answering these calls for research through an investigation of the processes applied in the creation of social enterprises (Lanteri, 2015). By taking an integrative approach, this study aims to provide insight into processes enacted, the reasons for the selection of these processes, and the various factors that impact on the process. It further aims to explore how tools such as the triple layered business model canvas, lean-start-up, and design thinking are used in the evolution and creation of sustainable business models for social enterprises. Through these investigations, the research aims to develop an integrative conceptual framework for social entrepreneurial opportunity evaluation and creation.

1.5 Benefits to practice

Considering the importance of social entrepreneurship in addressing the pressing needs of society, the imperative of enhancing the success of early-stage organisations is clear. Nascent social entrepreneurs would benefit from a greater understanding of the contextual factors that impact on, and risks that emerge from, the process of opportunity evaluation and creation, as this would better equip them in the process of venture creation by enabling them to strategise for greater success. An understanding of the various avenues that are available for the evaluation and creation of opportunities would provide nascent social entrepreneurs with valuable options in the process of venture creation. Knowledge of the available tools and processes, how they may be applied, as well as the factors that contribute to their success, would allow nascent social entrepreneurs to expedite the process of finding sustainable business models. Added to this, a better understanding of how to create economic and social value through social enterprises would aid nascent social entrepreneurs to achieve their respective visions for society. The creation of higher levels of social value carry benefits for society as a whole.

The development of a conceptual framework for opportunity evaluation and creation for social enterprises would benefit both impact investors and social entrepreneurs in the process of opportunity evaluation, and similarly contribute to the success of the impact investment industry. Philanthropic funders could equally benefit from donating to effective organisations and feel more comfortable that their donations are being used expediently. Following the creation of a such a framework, it could be used to practically guide internal and external stakeholders through the process of evaluation, thus providing critical information and guidelines for participation in the process. The formalisation of processes and procedures could also materially benefit both the process of evaluation and subsequent processes, providing the social entrepreneur with clear steps as well as a clear basis for the process (Perrini et al., 2010).

1.6 Scope of the research

The study aims to explore the process of opportunity evaluation and creation for social enterprises and a qualitative, explorative research methodology, supported by multiple focussed interviews, and using a semi-structured interview schedule, will be adopted to achieve this. As the process of opportunity evaluation forms part of a broader set of processes in venture creation (Perrini et al., 2010), the boundaries of this study will incorporate aspects of venture creation that have an ability to influence the evaluation process. To this end, the study will incorporate both the pre- and post-investment phases of social enterprise creation and scaling. It will also consider current and future stakeholder influences in the creation of social and broader value, thus taking an integrative approach to the creation of social enterprises.

The study will not examine opportunity recognition/discovery and development, which is the first step in entrepreneurial venture creation, as this aspect has been better researched and debated in academic literature (Ardichvili, Cardozo, & Ray, 2003; Urban, 2014). Business model innovation is, for the purposes of this study, considered to be part of the opportunity exploitation stage. This aspect of social entrepreneurship has also been better researched and many models exist that provide a framework for opportunity innovation (Bocken et al., 2014; González et al., 2017; Hahn, Spieth, & Ince, 2018). Similarly, much work has been done in shared value, n terms of business models which may be applied to the social entrepreneurship realm (Lüdeke-Freund et al., 2016).

The study will also not investigate the formalising processes of opportunity creation, which is described as the next step following the evaluation of the opportunity. However, it is recognised that informal evaluation is undertaken throughout the various processes in venture creation and scaling, and that it is characterised by increasing depth of analysis as the creation process nears exploitation (Ardichvili et al., 2003). The study will thus consider these evaluations as integral to the opportunity evaluation process.

CHAPTER 2. Literature Review

2.1 Introduction

This chapter aims to reveal the academic and theoretical basis of the study by exploring pertinent theory and debate on social entrepreneurship, and its sub-concepts, including especially social value creation. Social enterprises are positioned within the literature along with the social markets they serve and the mechanisms through which they create value, embedded within the social value network. Discussions then progress to the various processes by which opportunities may be evaluated or created. Various risks that impact on social enterprises are then discussed along with the barriers to entry that organisations may face in entering social entrepreneurship. Hybridisation, funding and business model design is then discussed as critical components in the evaluation process. User centred design processes and their application in social entrepreneurship are then explored. The chapter finally investigates the dimensions of effective and efficient social organisations by investigating the role of governance and performance measurement.

2.2 Social entrepreneurship and social enterprise and social value creation

Social entrepreneurship has the potential to provide new avenues for economic growth, as well as to enable social progress by creating positive externalities, access to resources, and knowledge that would not have been made available through normal market forces or institutional intervention (Azmat et al., 2015; Mair et al., 2012; Simanis & Hart, 2008; Singh, 2016, p. 6; Zeyen et al., 2013). Social entrepreneurship thrives in areas where commercial entrepreneurs do not venture, these being where the potential for value capture is far less than the potential for value creation through addressing neglected problems with positive externalities in disadvantaged populations. Typically, the benefits created by the entrepreneur affect society positively beyond that of the benefits being enjoyed by the entrepreneur (F. M. Santos, 2012).

Social entrepreneurship has no agreed definition, yet has been described as a process of innovation in the combination of resources with the aim of facilitating social change and progress and/or addressing social needs (Mair & Martí, 2006). Social entrepreneurship is enacted through the mobilisation of technical, human, and financial resources – typically attained from stakeholders – in conjunction with extant environmental resources (Garud et al., 2014; Murphy & Coombes, 2009).

Interest in social entrepreneurship as a distinct research field is a relatively new phenomenon (Rey-Martí et al., 2016). The term social entrepreneurship first appeared in academic literature in 1954, yet academic interest in the field only started escalating significantly in the 1990s, seemingly corresponding with the publication of monographs on the subject by Dees (1998) and other leading authors (Grieco, 2015; Sassmannshausen & Volkmann, 2018). Since this seminal time in the research field, much of the discussion has been centred on defining social entrepreneurship, with no consensus yet emerging on what a framework for it might look like. Due to these factors, research in this field is considered to be under-developed in both scope and theory (Choi & Majumdar, 2014; Rey-Martí et al., 2016). Initially, much focus fell on defining the concept and describing its perceived goals, yet the development of research in the process of social entrepreneurial venturing is a new phenomenon. Likewise, the complexities of the processes involved in venture creation are poorly described and researched (Perrini et al., 2010). More recent developments in the literature includes focus on social entrepreneurial opportunities, how they are discovered or created, in what contexts they appear, as well as which qualities the entrepreneur is to possess to enable the discovery of opportunities in both commercial and social entrepreneurship. Opportunities have been described as being a unique unit of measurement that is central to entrepreneurship (Ardichvili et al., 2003; Hansen, Monllor, & Shrader, 2016; Murphy & Coombes, 2009). However, the critical step of social entrepreneurial opportunity evaluation, as a precursor to exploitation or scaling, is poorly addressed (Perrini et al., 2010).

Critical to separating social entrepreneurship from commercial entrepreneurship is the intrinsic motivation that social entrepreneurs harbour, namely that of creating value for society in lieu of private value (Mair & Martí, 2006; F. M. Santos, 2012). Despite this, academic debate has also centred around whether social entrepreneurship is at all different from commercial entrepreneurship as a field of study (Dacin, Tina, & Matear, 2010). Some attempts have been made to create a formal theory of social entrepreneurship (Ebrashi, 2013; F. M. Santos, 2012), yet critically, these proposals differentiate between social and commercial entrepreneurship on the basis of social value creation. Recent attempts by scholars to resolve the debate around defining social entrepreneurship have led to its reconceptualisation as a cluster concept that includes sub-concepts such as the social entrepreneur, the social entrepreneurship organisation, market orientation, and social innovation, with all these sub-concepts encompassed by social value creation as pre-condition for social entrepreneurship (Choi & Majumdar, 2014). A clear theme that emerges from the literature is that the concept of social value creation is central to the research field of social entrepreneurship.

2.2.1 Social enterprise

Despite being distinguished from commercial entrepreneurial enterprises, social value can of course be created within a myriad of organisational forms and business models, including those with a primary value capture orientation. The rise in regulatory and shareholder requirements for firms (especially multinationals) to provide broader participation in societal outcomes have given rise to trends such as corporate social responsibility, yet such organisations remain focussed on the accumulation of shareholder value (Yunus et al., 2010). On the other side of the spectrum is the non-profit organisation that creates social value purely through revenue streams derived from philanthropy or grants. These two poles presuppose the existence of hybrid organisations that create social value, yet also generate their own profits (Mair & Sharma, 2012, p. 176). Such organisations seek sustainability through what is known as blended value, originally coined by Emerson (2003), and are also called hybrid or social enterprises (Holt & Littlewood, 2015; Singh, 2016). Social enterprises are true hybrid organisations. Similar to commercial enterprises, they exemplify efficiency in the use of resources with innovation, and human capital. However, they also epitomise the vision, values, and focussed mission of a traditional non-profit organisation (Battilana et al., 2012). Typically, these organisations will reinvest profits in the organisation to enable the creation of further social value, rather than accruing profits to shareholders (Holt & Littlewood, 2015; Mair & Sharma, 2012; F. M. Santos, 2012). This is indicative of a focussed strategic orientation to social value creation supported by a market orientation.

2.2.2 Social value creation

From the literature, the terms social value and social impact seem to overlap. The term social impact is inadequately described in the literature and subject to debate. Other terms such as social value, social returns, and social accounting are used interchangeably (Rawhouser et al., 2017). Rawhouser, Cummings, and Newbert (2017, p. 2) offer a definition of social impact as “beneficial outcomes resulting from prosocial behavior that are enjoyed by the intended targets of that behavior and/or by the broader community of individuals, organizations, and/or environments.” From the point of view of prosocial behaviour, it can have a direct effect on its intended targets and a wider effect on the community and/or the environment (Rawhouser et al., 2017), an aspect that adds to the complexity of social impact. When society is viewed as a complex adaptive system (Sinkovics, Sinkovics, Hoque, & Czaban, 2015), it is difficult to determine a fixed boundary where any impacts may cease to have an effect. Indeed, conventional wisdom indicates that value can be created at the micro, mezzo, and macro level of any organisation (Pitelis & Vasilaros, 2010).

Social value has been described as a "value-laden concept," and moral values like freedom, equality, and tolerance lie at the core of the concept (Choi & Majumdar, 2014). Considered a complex concept, numerous definitions have been offered to describe it (Choi & Majumdar, 2014). Both social and economic value is created in commercial entrepreneurship, whether it be social or commercial, and it may be argued that economic value can be construed as social value. Offering the example of Microsoft Corporation as providing social value through the addition of significant economic value to society through its widely used products and resultant job creation, Acs, Boardman, and McNeely (2013) argue that the concepts are intertwined. F. M. Santos (2012) describes social value as that which is created by a social entrepreneur when solutions are found for problems with positive externalities. Sinkovics, Sinkovics, Hoque, and Czaban (2015), however, have reconceptualised social value creation as social constraint alleviation, where constraints are defined by a lack of any of the three core values of development, which include sustenance (basic needs such as food and shelter), self-esteem (self-worth), and freedom from servitude (or human dignity). While each of these values hold importance in and of themselves, they matter equally to any human person or society, and can therefore be generalised. Within this conceptualisation of social value creation, constraints can be identified as the root causes that prevent certain groups from gaining access to any of the three core values (Sinkovics et al., 2015). This definition distinguishes social value creation as a field where basic human rights are addressed, distinct from the creation of broader social and economic value as in the case of commercial entrepreneurship. Since the proposed study considers this distinction as central to the concept of social value, it will therefore be utilised as a working definition for the remainder of this paper.

The concept of value has been widely adopted in business model literature where the creation, capture, and sharing thereof has been discussed (Hart, Milstein, & Caggiano, 2012; Porter & Kramer, 2012). Value is created when society aggregates increased utility through the actions of the entrepreneur, after discounting the opportunity cost of the resources utilised in effecting the activity (F. M. Santos, 2012). Value capture is the financial value that an organisation is able to retain post the deduction of all costs (Hlady-Rispal & Servantie, 2018). Value creation in social enterprises is measured by social impact, and in distinction from commercial entrepreneurship, metrics such as profit generation and customer satisfaction are not the primary means of measuring value creation (Dees, 1998).

2.2.2.1 Social markets

F. M. Santos (2012) argues that social entrepreneurs focus on areas that have been neglected by the government as primary actor in mediating and moderating externalities and do so by engaging problems with positive externalities. He further argues that governments often overlook externalities due to resource constraints, and that governments are likely to especially overlook positive externalities that have benefits in localised and less powerful segments of the population, or in benefits which do not qualify as public goods. Less powerful segments of the community are defined as "having low status, control of resources, less ability to collective action and influence in public opinion" (F. M. Santos, 2012). Social sector markets, where a specific social problem may be prevalent, are often confined to geographical areas such as neighbourhoods or regions (Robinson, 2006)

2.2.2.2 The mechanism of social value creation

The creation of social value presupposes the requirement to effect positive social change and thus social impact. Stephan, Patterson, Kelly, and Mair (2016) define positive social change as "the process of transforming patterns of thought, behavior, social relationships, institutions, and social structure to generate beneficial outcomes for individuals, communities, organizations, society, and/or the environment beyond the benefits for the instigators of such transformations," and state social impact to be the outcome of positive social change (p. 1252). In the case of social enterprises, this definition presupposes the idea that change is enacted by organisations with a market orientation that produces goods and services in a competitive environment, while it excludes organisations and institutions that effect value through regulation (Stephan et al., 2016). Distinct from commercial entrepreneurship, which relies on the logic of the control over critical transactions and resources to ensure competitive advantage, social entrepreneurs rely on the logic of empowerment, especially for those outside of the organisation (F. M. Santos, 2012). In defining empowerment, F. M. Santos (2012) makes use of the World Bank definition, stating that it is a "process of increasing the assets and capabilities of individuals or groups to make purposive choices and to transform those choices into desired actions and outcomes” (p. 346).

A model that is commonly used for creating impact is the impact value chain model (Grieco et al., 2015). This logical model defines impacts as the result of an organisation’s inputs resulting in outputs which, minus that which would have happened anyway, is considered an impact. Impacts formulated in this way may be short term or long term in effect, and may have effect on the three levels of society mentioned (Mair & Sharma, 2012, p. 182). The mechanics of how impacts manifest in the impact value chain is described by the theory of change, which is a concept borrowed from programme evaluation and founded in social studies. The process involves firstly identifying a problem that is to be solved, then generating a theory of change which stipulates how the problem is to be addressed with the aim of creating a specific impact (Rossi, Lipsey, & Freeman, 2004, Chapter 1). The process of creating a theory of change then encompasses the generation of goals and the formulation of applicable services that would produce the desired changes supported by an assessment of alternatives. This process then highlights the output requirements of the program, thus linking to the impact value chain. Following implementation, the program effectiveness is to be tested using impact measurement frameworks that are designed specifically for the impacts that were planned, preferably on an ongoing basis (Rossi et al., 2004, Chapter 2). For impacts to be measurable, factors such as materiality, reliability, comparability, additionality, and universality must be considered (Impact Measurement Working Group, 2014). Jackson (2013) proposes interrogating the theory of change as a more suitable way of mitigating risk in the impact investment industry. This approach is more aligned with program evaluation and relies on the interrogation of the dynamics of the change pathways suggested by the theory. The interrogation of the change pathways may include the relevancy and accuracy thereof, as well as unforeseen impacts and the presence of barriers to change.

Following from the above, social entrepreneurs that seek to effect social value creation rely on the theory of change to create the desired impacts and test its effectiveness through impact measurement frameworks. Based on the impact value chain model, outputs derived from the theory of change may be used to derive the required organisational inputs. This information is essential in the design of the business model, as is discussed later in this paper (see 2.3.9).

2.2.2.3 The social value network

Social enterprises establish a value network through which social and economic value is created, captured, and in which value sharing occurs. Value sharing includes the exchange of value with the ecosystem and all stakeholders, which may include beneficiaries and customers, funders, partners, institutions and human resources. Value sharing also includes the spill-over of value that originates with the venture, yet reaches other stakeholders and broader society (Hlady-Rispal & Servantie, 2018).

Value is created between the social entrepreneur and the various stakeholders. The strength and nature of linkages between the actors, as well as their values and skills then determine the amount of value that is to be created. Value capture is contingent on the amount of value, be it social or financial, that is created in the value network and the cost of resources that are mobilised to effect it. The performance of the organisation is then measured in these terms (Hlady-Rispal & Servantie, 2018).

Effecting “deep-level,” pro-social change requires the intrinsic motivation of all stakeholders, including partners, employees, and volunteers, which leads to engagement and commitment to the cause. Organisational capabilities are developed from knowledge, experience, and procedures that lead to change and which are developed particularly from tripple loop learning in the context in which the organisation operates (Stephan et al., 2016). The modes of governance and management systems, coupled with social innovation and the legal form of the organisation, are instrumetnal in the generation of value in the organisation. Further to this, value generation is contingent on the personality traits and type, the education, and the rhetorical strategy of the social enterpreneur, including also the breadth of the desired social change (Hlady-Rispal & Servantie, 2018). In terms of rhetorical strategy, persuasion is applied as a tactic in which negotiation and re-negotiation provides for the systematic resolution of structures of resistance to the social mission, and thereby establishing legitimacy for the organisation (Di Domenico, Tracey, & Haugh, 2010).

The social value proposition is the mechanism which sets the value network in motion, enabling value generation, facilitating value capture, and targeting value sharing. It is also a measure of the value that the social entrepreneur aims to provide for society, and what the social entrepreneur believes would be of value to the recipient or customer or beneficiary. It encapsulates a “convincing promise and distinct offer“ that draws stakeholders, including beneficiaries, partners, and funders alike, to engage with the organisation and become part of the value network (Hlady-Rispal & Servantie, 2018).

Opportunities are created for social enterprises when structures that lead to empowerment and the building of social capital are institutionalised (Stephan et al., 2016). Legitimacy arises as an instrument of creating pro-social change when firms are seen as legitimate by the communities they serve and the stakeholders they engage with. Legitimacy increases the effectiveness of programmes and the flow of resources in the value network (Stephan et al., 2016). Further to this, overlaps of environmental, social, and economic conditions accelerate venture performance, however constituency mobilisation may act as a moderating factor (Zeyen et al., 2013). The engagement of local resources is essential to capacity building and value creation for the social enterprise (Lanteri, 2015).

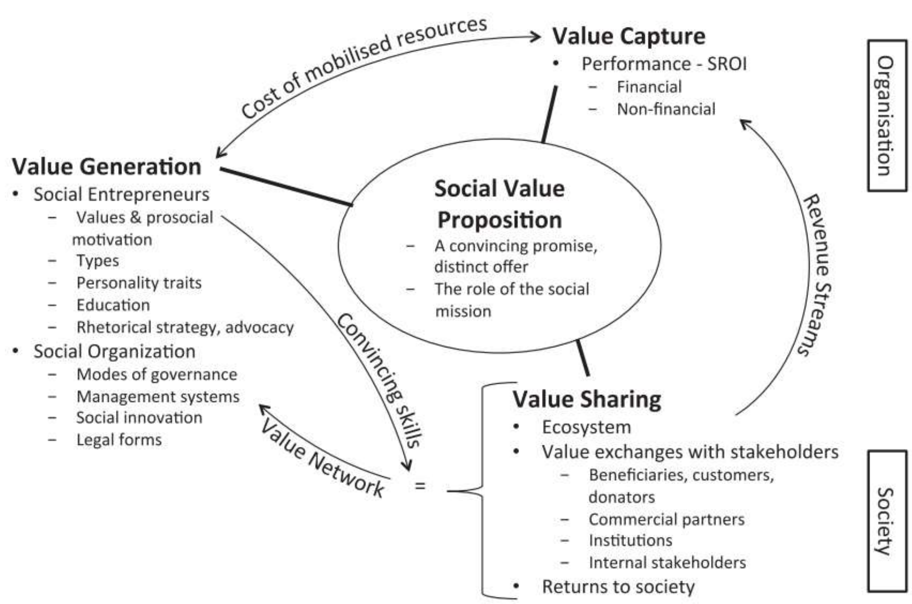

Figure 1: A conceptual framework for value creation in the context of social entrepreneurship (taken from Hlady-rispal and Servantie [2018, p. 73])

Social entrepreneurs create value through social innovation. Mulgan, Tucker, Ali, and Sanders (2008) simply define innovation as “new ideas that work” (p. 8). Social innovation is therefore applied in achieving the social mission, and is limited to models and programs that are replicable. The innovative reuse and combination of extant resources in combination with continuous experimentation and organisational learning leads to the development of new products and markets, as well as the replicability of the social mission (Servantie & Hlady Rispal, 2018). Markets and, subsequently, opportunities are created through radical innovation (González et al., 2017). Linked to this is the overcoming of social and institutional barriers to markets, which is effected by the business model and strategic innovation (Robinson, 2006). Other than being initiated by the social entrepreneur, innovation may originate from the community or beneficiaries which it serves. Innovations from the community may be accessed through participatory methods and consultation (Stephan et al., 2016). Similarly, employees may be a source of market and local knowledge, and be a source of entrepreneurial innovation (El Ebrashi, 2017).

In summarising these factors, Hlady-Rispal and Servantie (2018) have developed a conceptual framework of value creation in social entrepreneurship that is applicable to social enterprises, as depicted in Figure 1. The framework depicts the main components of value generation, sharing, and capture, and their interrelatedness with each-other and the social value proposition, as described in this section.

For the purpose of this study it will be accepted that social entrepreneurs seek to create social impact through the social value proposition, and that such impact includes all forms of created and shared value. Further to this, value capture, along with its sub-constructs of social and financial performance, emerge as metrics of organisational success (Hlady-Rispal & Servantie, 2018). The assessment of financial viability and sustainable social value is undertaken during the evaluation stage of social enterprise creation (Perrini et al., 2010).

2.3 Social enterprise creation and opportunity evaluation

2.3.1 Social enterprise creation

The process of social enterprise creation has been described by Perrini et al. (2010) as constituting a number of stages which leads from identification, through evaluation and formalisation to exploitation and scaling (or replication) of an opportunity. Intervening variables of this process include the social entrepreneur's ability to communicate the vision of the organisation and to create networks, as well as the extent to which the context supports the venture, which includes resource availability and existing networks that mediate or moderate the effectiveness of each transition to the next stage. Importantly, Perrini et al. (2010) indicate that individual dimensions such as commitment and sensitivity to the problem are important antecedents for engaging in the process. Figure 2 indicates the process of social entrepreneurship from opportunity identification to scaling-up as proposed by Perrini et al. (2010).

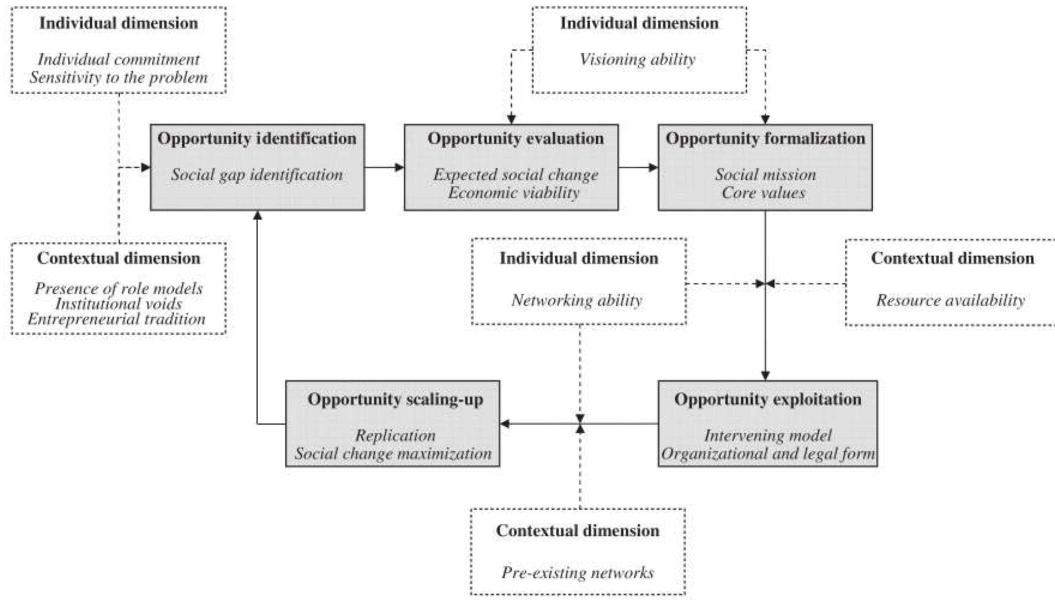

Figure 2: A process-based view on venture creation (Perrini et al., 2010, p. 520)

Similarly, Haugh (2007), from a qualitative study of five community led ventures, identified six major stages in the creation of social enterprises, each with a detailed account of the activities that are enacted per stage of the creation of social ventures. Activities pertinent to broader social enterprise creation have been extracted as indicated in Table 1. Broadly similar to the process provided Perrini et al. (2010), Haugh (2007) indicates the requirement for formal commercial opportunity evaluation, which may take the form of a feasibility study during the stakeholder mobilisation stage. However, during this stage no mention is made of impact forecasting or evaluation. Despite this, the requirement for performance evaluation is a distinctive step once the venture is operational.

Table 1: Stages in community-led social venture creation (adapted from H. Haugh [2007, p. 170])

Stage	Activities per stage (selected activities only)
Opportunity identification:	A Recognition of a felt need within a community/society; rises from internal and/or external source; may include formal analysis.
Idea articulation:	Idea is verbalised and alternatives discussed; first level network formation takes place.

Idea ownership:	The vision/purpose/mission of the social venture is determined.
Stakeholder mobilization:	Gathering of human, physical, financial, and technological resources. A tailor-made network takes shape as some network members exit and others expand their greater role. *Commercial ideas are formally evaluated.* Additional documentation is created, e.g., a feasibility study.
Opportunity exploitation:	Legal entity is formalised and begins business activities.
Stakeholder reflection:	Collection of performance indicators; outcomes are evaluated; feedback to stakeholders through multiple media channels.

Academic literature indicates that the process presented by Perrini, Vurro, and Costanzo (2010) is more linear than the iterative approach that is followed in practice, where evaluation of the opportunity is undertaken informally throughout the various stages of its development (Ardichvili et al., 2003). In commercial entrepreneurship, emphasis is placed on the evaluation of long-term gain in the organisation. This type of pre-investment analysis is not common in social entrepreneurship, where the decision to enter into the venture commonly precedes any form of analysis. Such analyses will, however, commonly still be undertaken post-investment for the purpose of developing sustainable business models that are balanced with the envisioned societal outcomes (Perrini et al., 2010). Other sources indicate that no analysis is undertaken before a social enterprise is scaled. Instead, each next step in the organisation's scaling of operations was approached on an experimental basis due to pervasive uncertainty and lack of information (Dobson et al., 2018). The requirement for evaluation is, however, likely to be pursued by the organisation's impact investors (see 2.3.8) who, while they typically become involved only after the formation of the social enterprise, will likely be seeking maximum social return on investment as well as possibly a financial return (Michelucci, 2017). Given the ambiguity of the literature, the processes enacted by social entrepreneurs in the evaluation and creation of social ventures remains poorly described, giving credence to the notion that further work is required in terms of the details surrounding the processes and the factors that drive their selection.

2.3.2 Motivational aspects relating to engagement in social entrepreneurship and opportunity evaluation

Social entrepreneurship cannot be defined by the interrogation of organisational factors alone, and is rather contingent on the identity and motivations of the entrepreneur (Lanteri, 2015). In terms of opportunity evaluation, personal motivation to act is the primary drive to engage in social entrepreneurship. Due to this fact, the evaluation of opportunities are often forfeited due to the social entrepreneur's identification with the social cause and the felt sense of urgency to address it (Perrini et al., 2010). The intention to create a venture is, however, an antecedent of opportunity evaluation (Lanteri, 2015). Added to this, a clear vision for the organisation serves as an antecedent for all subsequent stages of the organisation's creation (Perrini et al., 2010).

Nascent social entrepreneurs engage in social entrepreneurship due to a blend of factors, which includes an association with the problem, a need for achievement and to aid society, a non-monetary focus, and the fulfilment of personal desires supported by a distinctive non-monetary focus (Germak & Robinson, 2014). Social enterprises typically operate in contexts that are not politically supported or profitable (McDonald, Weerawardena, Madhavaram, & Sullivan Mort, 2015). This blend of intrinsic motivational factors enables social entrepreneurs to remain engaged and persist in difficult operating environments (Stephan et al., 2016).

During the evaluation of opportunities, the motivation of the entrepreneur is concerned with the inner processes of intuition and affect, which may be influenced by external information from stakeholders, friends, and/or family (S. Santos, Caetano, Baron, & Curral, 2015). Emotions such as fear, joy, and anger affect the tendency to exploit opportunities in entrepreneurship. Fear is a moderating factor, while joy and anger lead to increased exploitation due to the opportunity being viewed as more positive in general (Welpe, Spörrle, Grichnik, Michl, & Audretsch, 2012).

The motivations and emotions of the social entrepreneur emerge as a key factor in the opportunity evaluation and social enterprise creation. The literature is however not clear on the extent to which these factors impact on the evaluation of opportunities, or how it impacts on the process of social enterprise creation.

2.3.3 Opportunity evaluation

According to Grieco (2015), the term entrepreneurship is defined in the commercial entrepreneurship realm as "the identification, evaluation and exploitation of opportunities to bring new products or services into existence as new outputs to be sold at prices higher than their cost of production" (p. 6). In the case of commercial entrepreneurship, it translates the value captured through this process to shareholder wealth in lieu of social value, as would be the case for social entrepreneurship (Grieco, 2015, p. 13). For social entrepreneurship it has been stated that the discovery and evaluation of future goods and services are required to yield viable opportunities (Murphy & Coombes, 2009). It has also been stated that social entrepreneurship is defined by "the process of identifying, evaluating and exploiting opportunities aiming at social value creation by means of commercial, market-based activities and of the use of a wide range of resources" (Bacq & Janssen, 2011, p. 376). Key to these statements is the reference to evaluation, which is suggested as a key process in both social and commercial entrepreneurship. In fact, social entrepreneurship shares many aspects with commercial entrepreneurship (Dacin et al., 2010), and the process of opportunity evaluation for social enterprises will have distinct overlapping processes (Perrini et al., 2010; Urban, 2014). Opportunity evaluation has been described as a distinct, fundamental, and most important component of entrepreneurial capacity (Urban, 2014).

Evaluation presupposes a decision rule, one which will determine if a specific opportunity should be pursued, as well as if resources are to be provided for its pursuit (Ardichvili et al., 2003). Although detailed to some extent in commercial entrepreneurship, the concept is poorly addressed in social entrepreneurship literature and presents a current gap in the understanding of how social enterprises progress from opportunity identification to an operating venture (González et al., 2017; Perrini et al., 2010). One model that attempts to describe this is presented by Perrini, Vurro, and Costanzo (2010), who suggest that evaluation is a critical step in the social enterprise creation process that entails a cost benefit trade-off of both social impact and economic viability, where lasting social impact is sought along with a sustainable business model. From their explanation, the formulation of a sustainable business model includes the conceptualisation of the economic value to be created, as well as the acquisition of the required resources and funding. This model does not, however, provide a detailed account of the complexities of the process of evaluation, and the authors concede that the process stages may be enacted in a different order, given the context of individual organisations (Perrini, Vurro, and Costanzo, 2010).

The feasibility of the opportunity is a critical variable in the evaluation of opportunities. Here the availability of resources and information that relate to the opportunity, including technical information such as market potential and size, is of concern (S. Santos, Caetano, Baron, & Curral, 2015). Entrepreneurs may conduct feasibility studies and business model evaluations to assess the viability of an opportunity. Beyond the evaluation of the business model, the business plan as a whole may be evaluated – a process known as due diligence (Ardichvili et al., 2003). A further step, which is commonly followed in the opportunity evaluation of more capital-intensive ventures, is the stage-gate process, where the opportunity is evaluated at distinct levels of development. Here, the opportunity may be abandoned or taken forward to the next step based on a set of criteria which are based on typical constraints in entrepreneurship. Some of these constraints include available financial and other resources, risk perception, financial return, and personal objectives (Ardichvili et al., 2003).

The processes of feasibility, business plan, and due-diligence evaluations are synonymous with formal business planning, which is considered to be a causation approach to venture and opportunity creation. Causation approaches are characterised by predicting future outcomes, the planning of strategies, resources and marketing efforts, and the implementation of processes to monitor and control the outcomes of these processes (Servantie & Hlady Rispal, 2018). Social entrepreneurs that enter into social enterprises from a traditional entrepreneurship or corporate management background are more comfortable with profits and the financial aspects of business management, due to relevant experience and education, as opposed to those who enter from a social background (Germak & Robinson, 2014). This implies that social entrepreneurs may also be more inclined to a causation approach to opportunity evaluation, dependent on an entrepreneurial or managerial background.

2.3.4 Opportunity creation through bricolage and effectuation

Bricolage and effectuation are processes that entrepreneurs engage in to acquire resources when operating in resource constrained environments (Di Domenico et al., 2010). Distinct from a causation approach, where opportunities are evaluated and actions planned before implementation, bricolage and effectuation are associated with the creation and transformation of opportunities through active decision-making and action (Servantie & Hlady Rispal, 2018).

Bricolage and effectuation are well researched and conceptualised in the literature. Bricolage includes the constructs of *making do*, *refusal to be constrained by limitations*, and *improvisation*. In the context of social enterprises, the additional constructs of *social value creation*, *stakeholder participation*, and *persuasion* have been identified to be associated with social bricolage (Di Domenico et al., 2010). Bricolage does not rely on the control of future outcomes and is a process where resources are re-appropriated and combined in innovative ways. The logic of bricolage is more likely to be applied by inexperienced entrepreneurs (Servantie & Hlady Rispal, 2018). Effectuation is a process where a number of alternatives are considered to exploit uncertainty by relying on intuitive responses to the emergence of eventualities (Sarasvathy, 2004). Entrepreneurs that use effectuation logic engage in affordable loss strategies to produce innovative products and services in new markets. Effectuation logic implies that the chance occurrences of future events and serendipity are leveraged through an agile and adaptive approach to creating opportunities (Verreynne et al., 2013), thereby effecting control over an unpredictable future (Servantie & Hlady Rispal, 2018). Both bricolage and effectuation rely on experimentation in business model design and the creation of products and services (Ghezzi, Cavallaro, Rangone, & Balocco, 2015). Continuous experimentation and adjustment is akin to the constructs of formative evaluation and emergent strategy (Ardichvili et al., 2003). It therefore resembles one of the fundamental underpinnings of the lean start-up process, that being continuous experimentation (see 2.3.10.2).

Servantie and Hlady Rispal (2018) found that the logics of causation, bricolage, and effectuation may be applied for the creation and search for sustainability of social enterprises. These logics may be applied either sequentially or concurrently. They further indicate that the use of the methods is contingent on both the experience of the entrepreneur and the context of decision making and that, due to these factors, shifts occur in the use of these logics over the lifespan of the organisation. An effective way in which the logics of bricolage and effectuation may be used to create opportunities is through the serendipitous or purposeful acquisition of partners along the lifespan of the origination. Through the use of these two logics, partnerships open avenues for social entrepreneurs and their organisations within which to create opportunity (Verreynne et al., 2013).

Social entrepreneurs have at hand a number of logics through which to evaluate or create opportunities for social enterprises. Following on the discussions around motivational aspects, in particular that social entrepreneurs frequently forgo the evaluation of opportunities due to an urgency to act, it may be argued that the logics of bricolage and effectuation become the dominant logics in the creation of social enterprises and the search for sustainable business models. Effectuation is a dominant logic for firms younger than seven years and is correlated to entrepreneurial and organisational search behaviours (Yang et al., 2018).

2.3.5 Risks to the creation of social enterprises.

Social entrepreneurs encounter two overarching risks, these being financial risks and the risk that the organisation may fail. Due to this, risk mitigation and/or acceptance strategies are central to social entrepreneurship (Verreynne et al., 2013). Effective risk management is interlinked with the creation of social value in that the viability of the business model ensures the sustainability of the social mission. Due to these factors social entrepreneurs avoid risk-taking behaviour, so to not impinge on the sustainability of the organisation, a factor that differentiates them from commercial entrepreneurs (Roy et al., 2014; Weerawardena & Sullivan Mort, 2006). Social enterprises require careful financial management and the targeting of viable markets in order to ensure the sustainability of the organisation (Davies, Haugh, & Chambers, 2018). Financial risk is also indicated as the predominant reason for non-profit organisations to reduce costs or to hybridise (McDonald et al., 2015). Financial risk is in all cases of commercial and social enterprises an ongoing concern, and cost management is a dominant strategy to manage this risk (F. M. Santos & Birkholz, 2015).

In terms of impact risks, the Impact Management Project has identified nine types of impact risks that are of concern to both social entrepreneurs and impact investors. These risks may be broadly categorised into dimensions such as the sustainability of impacts, data availability, costs associated with effecting the impact, and the nature and effectiveness of impacts. This latter dimension includes beneficiary engagement, alignment with the needs of the beneficiaries, and negative or unexpected impacts (“Risk,” n.d.). The sustainability of impacts is linked to the financial sustainability of the organisation and its outputs, as discussed previously. Data availability is linked to the capacity of organisations to measure impacts, which will be discussed later (see 2.4.3). The effectiveness of impacts is linked to the design of interventions and is beyond the scope of this paper. However, effective social value creation has been discussed (see 2.2.2). Further to this, the measurement of impact will be discussed (see 2.4.3). These two controls are key to ensuring effective impacts.

Unique to social enterprises, the risk of mission drift may materialise resulting from tensions between the social and commercial missions, and where focus on one becomes dominant at the expense of the other (Bruneel et al., 2016). However, avenues are available for social entrepreneurs in the moderation of this risk. Here structural separation in organisational design and/or suitable board representation, based on the nature of the business model and the client/beneficiary mix, are available strategies (F. M. Santos & Birkholz, 2015). The risk of mission drift is moderated when interventions are fittingly designed to suit the vision of the organisation and the organisational design is suited to the mission (Perrini et al., 2010)

Further to this, social entrepreneurship depends on the exchange of value within the value network, however these exchanges seldom occur directly with social enterprise and may be predominantly between value partners and stakeholders. This translates into risks for the organisation, namely that value spill overs are not occurring or that the perception of the value is diminished. Social entrepreneurs can only mitigate this risk by effectively communicating the value the organisation is creating, and in the process generate legitimacy for the organisation (Hlady-Rispal & Servantie, 2018).

In terms of the process of social enterprise creation, analysis of the threats and enabling conditions that characterise each stage of the process of venture creation leads to the success of the venture in reaching viability and sustainability (Perrini et al., 2010). Risk management is a distinctive characteristic of social entrepreneurship (Roy et al., 2014). This presupposes that the management of risk in the evaluation stage and in the creation of opportunities is central to the creation of sustainable social enterprises.

2.3.6 Market, social, and institutional entry barriers

Entry barriers have been well documented as significant considerations for entrepreneurs in forming and scaling a venture. There is ample discussion on the topic in the literature, and amongst these, Porter has been most prolific with his five forces model which addresses economic entry barriers. However, due to the unique operating environment and the aspect of social value creation which differentiates it from commercial entrepreneurship, Porter’s model does not fully envelop the intricacies of the context of social entrepreneurship (Robinson, 2006).

One of the differentiating factors of social entrepreneurship is the nature of the marginalised and resource constrained markets in which social enterprises typically operate in. Here transaction obstacles manifest due to inability of clients and/or beneficiaries to pay for products and services or their inability to access these. Access to products and services are constrained by the lack of mobility and connection typically associated with these markets (F. M. Santos & Birkholz, 2015). Within these communities, people are often dependent on each other which provides for very different dynamics in terms of value (Alegre, 2015). Another dimension that requires consideration is that of value perception, which is contingent on the knowledge and recognition of value that those being targeted by products and services may or may not recognise. Also, ensuring that products and services are aligned with the needs of those they are intended for is of critical importance in avoiding value perception mismatches. Successful social enterprises have business models that are able to bridge these gaps, with hybridity and a resultant duel mission focus being a key enabling structure (Davies et al., 2018; F. M. Santos & Birkholz, 2015). Further to this, adopting a market learning approach, which includes learning from beneficiaries, funders, employees and competitors, is likely to provide social innovations that may lead to a competitive advantage (Jayawardhana & Weerawardena, 2014).

Further to transaction barriers, social barriers manifest where social entrepreneurs do not have access to local networks of social and commercial business owners, funders, political figures, faith-oriented or community development organisations, and labour groups or organised community groups. These barriers can be a significant deterrent for start-ups, though they may be bridged by building informal trust networks and relationships, thus allowing information and resources to flow through the network (Robinson, 2006).

Another dimension is that of institutional barriers, which manifest due to a lack of knowledge of local norms and cultures, a lack of social order, or business environments that are difficult to operate in due to institutional voids (Davies et al., 2018; Littlewood & Holt, 2018; Robinson, 2006). Cultural barriers include the attitudes, convictions, and expectations of the community. Formal institutional voids exist where government and funding institutions do not exist or are poorly developed, which would otherwise support transactions and entrepreneurial activity. These barriers are to be overcome by start-up enterprises, by identifying and directly addressing them through the strategy the organisation is to employ in the start-up (Robinson, 2006).

Social entrepreneurs also commonly lack business skills, a fact which manifests itself in barriers to accessing especially funding institutions, marketing, and market knowledge, and this factor has an impact on both social entrepreneurship and impact investing alike (Glänzel & Scheuerle, 2016). In the face of economic, business model, cultural and institutional barriers, social entrepreneurs resort to decisions based on the values of the organisation, effective communication strategies, and leveraging stakeholder attraction to the social mission to enable the bridging of barriers (Davies et al., 2018). However, further to these points, radical innovation in all areas of business operations, stakeholder relationships, and business model design may lead to the creation of opportunities for the organisation (González et al., 2017).

2.3.7 Hybridisation and the link to sustainability

Sustainability in social entrepreneurship is markedly different to that of commercial entrepreneurship, where for the latter, sustainability is defined by gaining a sustainable advantage over the competition. In social entrepreneurship, sustainability is defined by finding sustainable solutions to market or government failures, with these solutions addressing the root causes of problems either permanently or on an ongoing basis. Social returns created through the organisation and its revenues are to be sustainable in order to enable the systematic address of neglected problems, which is to be characterised by sustained social change (F. M. Santos, 2012).

Due to the hybrid nature of the social enterprise business model, various types of funding are available to it that can sustain its activities and growth. These may include donations, foundation funding, grants, impact investing, and self-generated revenues (Acs et al., 2013). Social entrepreneurs are able to leverage their social missions to enable them access to funding from varied sources, and through that create greater impact (Mair & Sharma, 2012, p. 176). Despite this however, the aspect of financial sustainability is to be viewed with a wider lens than solely financial sustainability within the organisational confines, and aspects such as the sustainability of funding need to be considered. Here for example, charity cannot be considered sustainable, due to it being characterised as the redistribution of income (Acs et al., 2013). Donations, grants, and philanthropic funding is typically subject to the whims of the funders and temporary in nature. Due to this aspect, social entrepreneurs are not able to forecast revenues with any degree of certainty, something that impacts on the sustainability of the organisation. Once committed to a program, resources cannot be retracted. Social entrepreneurs need to continually assess the risks revenue fluctuations pose to the organisation and its operations (Weerawardena & Sullivan Mort, 2006).

In a series of nine case studies in India, Singh (2016) pointed out that non-profit organisations are increasingly seeking alternative income to ensure financial sustainability. It was found that venture owners all believed that sustainability would be jeopardised by focussing on only donations and philanthropic financing due to the temporary nature of this funding. The nine case studies showed that ventures with hybrid models did not experience issues with sustainability, and that the organisations did so by diversified revenue streams where products are sold in a variety of markets, including also affluent markets. For operating non-profit organisations, transitions to hybrid business models provide an avenue to ensuring the financial sustainability of the organisation (McDonald et al., 2015).

2.3.8 Impact investing as source of funding for social enterprises

First coined in 2007, the term impact investing refers to a process similar to conventional investment, where an investor seeks a return, yet in impact investing the creation of positive social and/or environmental impact is also pursued. It is thus distinct from both traditional grants or philanthropy and conventional investment (Höchstädter & Scheck, 2015). Impact investors include those that provide social venture capital, venture philanthropy, social stock exchanges, and ethical banking, while also including pension funds, foundations and government (Mair & Sharma, 2012, p. 178; Spiess-Knafl & Achleitner, 2012). The rapidly growing impact investing market has given rise to banks, foundations, and institutions that specialise in impact investment. Of these, the Rockefeller Foundation and the Global Impact Investing Network (GIIN) are some of the most prominent. It is estimated that the industry could grow to $1 trillion in 2020.

Impact investment, through its explicit intention of creating both positive impact and profit, is thus placed on the spectrum between pure philanthropy and socially responsible investing (Michelucci, 2017). Within the impact investment sphere, differentiation is found in the returns being sought by investors, and Höchstädter and Scheck (2015) identified two distinct groups, namely that of impact-first and those of socially responsible investment, with the distinction being the level of return typically sought by these investors. Impact-first investors typically seek below-market or no returns. Socially responsible investors would typically seek market returns. Where returns cannot be guaranteed, funders are typically considered grant funders. Within the spectrum of impact investing either loan principles or a percentage thereof may be recovered (Emerson, 2003). Further to this, impact investors may also take equity or provide loan to equity conversion models. Here, varying degrees of risk is associated with the investment. Where equity is taken in an organisation, funders typically get involved with the operations of the social enterprise (Mair & Sharma, 2012, p. 178).

Similar to social entrepreneurship, consensus on the definition of the term impact investing is still lacking (Höchstädter & Scheck, 2015). It is clear that any investment can have an impact, yet questions arise as to where in society these impacts are to be seen and how they should be measured (Michelucci, 2017). This question is of equal importance to investors, governments, and ultimately the industry, which is to date still grappling for legitimacy. Social impact of an equal or higher value than financial return is considered a success measure in impact investing, and the measurement of social impact is also considered a core activity in impact investing (Höchstädter & Scheck, 2015). This suggests that social return, or social value creation, is an important decision variable in impact investing. It is also clear that an overlap exists in the aims and values of both impact investing and social enterprises. Whereas foundations offer self-sustaining, yet typically temporary funding (Acs et al., 2013), impact investing provides potentially long-term sustainable funding to organisations seeking social outcomes (Mair & Sharma, 2012, p. 178).

2.3.9 The design of the business model

Recent developments in business and strategic management theory have redefined the term sustainability to include aspects other than mere financial sustainability. It is now recognised that financial sustainability is intertwined with aspects of the business model design and the ecology within which it operates (Bocken et al., 2014). Business models provide a systems-based and holistic view on how a business operates and explains how value is created and captured through its selected architecture (Zott et al., 2011). The business model articulates the critical components of a business strategy and illustrates how it will, embedded within its unique value network, create and capture value (Hlady-Rispal & Servantie, 2018).

The business model incorporates three main concepts or components, namely the value proposition (or value identification), the creation and delivery of value, and value capture (Zeyen et al., 2013). Under each of these three concepts, the inter-related components of the business are articulated. Firstly, the value proposition is composed of the organisation's products and/or services, the customer segments it will serve, and the relationships it intends on having with these customers. The creation and delivery of value components include the key organisational activities, the resources it requires to achieve its mission, the channels through which it will deliver its value, its partners, and the technology it will deploy. Finally, value capture includes the organisation's costs and revenue streams, which will determine the surplus value that is to be generated. Together, and when well designed and managed, these components contribute to the sustainability of the organisation (Bocken et al., 2014; Zeyen et al., 2013). Social business models are subject to the same task-oriented challenges as commercial businesses, yet are additionally burdened with managing environmental challenges, something which increases the complexity of the business model design. Due to this, the balancing of requirements between the three main components of the business model is an iterative and complex process (Zeyen et al., 2013).

2.3.9.1 The triple-layered business model canvas

Due to a shifting perception on the nature of sustainability, scholars have expanded the original business model canvas to include social and environmental impacts and benefits. This has led to the canvas being redeveloped into three interconnected layers, where each indicate the interrelated components of business models designed for sustainability. The canvas allows for a business model design that incorporates sustainability across the operational, economic, environmental, and social spheres (Joyce & Paquin, 2016). Figure 3 indicates the economic and social layers of the triple-layered business model canvas as developed by Joyce and Paquin (2016).

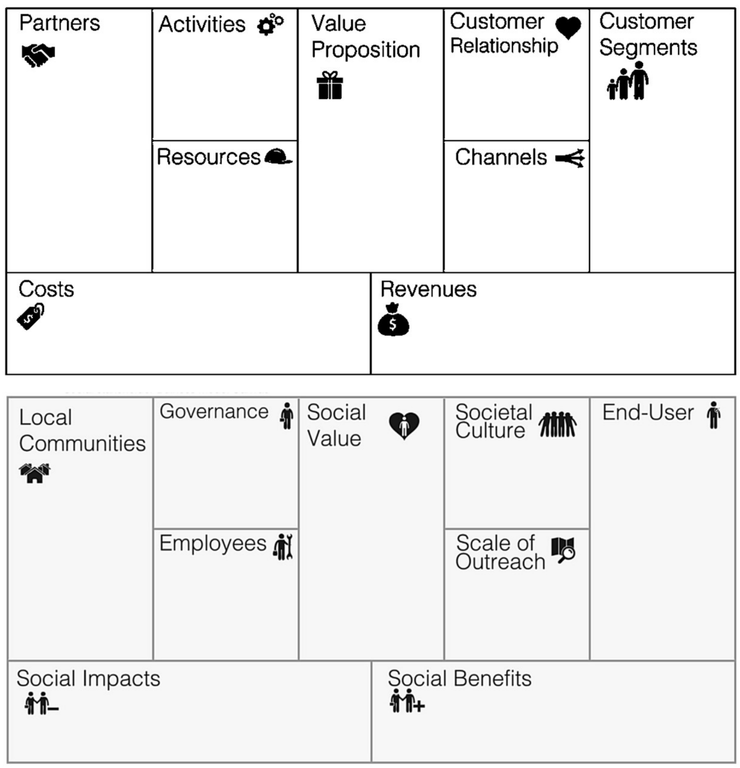

Figure 3: The economic and social layers of the triple-layered business model canvas (taken from Joyce and Paquin [2016, p. 1480])

Central to the social layer of the triple layered business model is the social value that the organisation is aiming to create for society and its stakeholders (Hlady-Rispal & Servantie, 2018; Joyce & Paquin, 2016). Here, value that is to be created may be segmented along with the beneficiary segments, which may be identified through demographics or other measured means. Due to this, more than one social value proposition may be present in the model. Employees and local communities emerge as key stakeholders in the process of social value creation. The governance area indicates the organisational structure and the key policies that are to be developed and employed to guide decision making, as well as the internal processes required to deliver the value (also see 2.4.1). The societal culture area describes the impact of the organisation on society as a whole, and how positive impacts can be affected (Joyce & Paquin, 2016).

Here also non-governmental organisations may be included, as they influence business through social activism. The scale of outreach focusses on the extensiveness and depth of interaction and collaboration the organisation seeks to achieve with its stakeholders over time. The end user is described as "the person who consumes the value proposition" and this area is included to describe how the quality of life and needs of the receiver of the benefits are to be addressed. Here too, segmenting per beneficiary segment may be required. Finally, the social layer includes the social impacts and benefits areas where the costs to society and positive social value are captured that respectively will potentially be created by the organisation (Joyce & Paquin, 2016). This latter area thus describes the value spill-overs that are to result from the organisational activities (Hlady-Rispal & Servantie, 2018). The social impact area is not to be confused with social impact as discussed before, as here only negative impacts are accounted for (see 2.2.2). Critical to the use of the triple-layered business model canvas are the requirements for horizontal and vertical coherence. Each layer of the canvas is characterised by unique actions and connections, which apply both horizontally across each layer but also vertically between the layers, thereby connecting the analogues of each layer with each other. This provides a way in which actions and resources may be evaluated holistically to ensure the goals of the design are achieved (Joyce & Paquin, 2016). The business model canvas is that which sets out the required components that will determine the value to be created and captured, as well as the resources required to set up the organisation. Although the social and environmental layers add complexity to the business model design, it also adds more opportunities for the creation of viable business models (Zeyen et al., 2013).

2.3.9.2 Business model design and evaluation for sustainability

The business model has been linked to sustainability in that organisations that are able to find models that create a competitive advantage leads to the organisation being able to outperform its competition over the medium to long term. Entrepreneurs seeking business model innovation need to find a model that creates this advantage if the organisation is to be sustainable (Gassmann, Frankenberger, & Csik, 2014). Many options are available for the innovation of the business model and these may be applied in the evaluation stage of the business model design to create a sustainable advantage. Gassmann, Frankenberger, and Csik (2014) have, through their study of successful corporate organisations, identified 55 different business model innovations that have led to the success of for-profit companies. It may be argued that some of these innovations may be of use for social entrepreneurs in finding solutions to problems whilst also ensuring sustainability through self-generated revenues.

A critical component of evaluation is the determination of sufficient and capable resources that are available and able to deliver the value suggested by the business concept (Ardichvili et al., 2003). Added to this are the intangible resources that a social organisation requires to grow. These include the skills and knowledge of human resources, the ability to coordinate across functions, organisational knowledge and capabilities, and the strength of networks and relationships (El Ebrashi, 2017). Business model evaluation provides the required resources and infrastructure to deliver the value as conceptualised by the social and economic value propositions, and communicated through the customer and beneficiary interfaces. Underpinning each iteration of a business model is a financial model which provides the capital and revenues required to account for the costs associated with the resources and infrastructure required by the model. The financial model finally delivers also the projected capacity for value capture of the model, thereby providing critical information about the sustainability of the model as designed (Lüdeke-Freund et al., 2016, p. 23; Yunus et al., 2010).

2.3.10 User centric design

User-centric design is an approach to design applicable, appropriate, and accessible interfaces, along with products and services that are intended to reach the maximum number of users within the specifications of the design. The process involves four repetitive steps, namely information gathering, prototyping, implementing, and evaluation, where the accessibility of the prototype is tested, thus providing for a solution that is widely accepted and less dependent of the user's natural capacities and talents (Wilkinson & De Angeli, 2014). This latter aspect is of interest in social entrepreneurship, where value is often created for marginalised groups (F. M. Santos, 2012). This implies that targets are typically not part of the general population, which can access goods and services that are geared towards their spending capacity or capacity to access these goods or services (F. M. Santos & Birkholz, 2015).

2.3.10.1 Design thinking

Design thinking has been cited as a *human centered design* strategy that draws on collaboration and multiple viewpoints drawn from team participation, an aspect that widens the collective perspective of the design and reduces the tendency for individual cognitive biases to influence it (Liedtka, 2015). It has also recently been identified that the process can be used for the design of products, services strategies, and a wide variety of social interventions (Selloni & Corubolo, 2017). The process is based on three main stages, that of data gathering on user needs, idea generation, and finally on prototyping and testing. A number of different models are available for use, and synthesis of the various models reveal that the first stage of data gathering emphasises empathy with the users and their needs. The second stage is characterised by the imagination of products or services that address the problem identified in the first stage. The final step is one where the solutions are developed and tested, either conceptually or in practice as a pilot (Liedtka, 2015).

Selloni & Corubolo (2017) have identified that the use of design thinking in social innovation offers the opportunity to identify not only user-centric interventions but also the necessary organisational change required to effect it. This implies a strong focus on co-design originating from a rootedness in the community and contextual embeddedness of the organisation. They propose that the model of design thinking could be extended in the social entrepreneurial realm to include also co-production or be as innovative as the prospect of co-management. Social entrepreneurs unintentionally participate in the process of design thinking by the continual consultation with, and integration of, their constituencies, and do so due to the scale of the problems being addressed and requirements for problem solving from a wider audience (Kummitha, 2018). Despite the fact that community trust is never easily earned, continuous consultation eventually bridges this gap and is converted into a sense of ownership (Kummitha, 2018). With the inherent complexities introduced by the sustainability imperatives of the triple bottom line, the inclusion of design thinking in the creation of sustainable businesses is considered vital (Zeyen et al., 2013).

2.3.10.2 Lean start-up

Born out of lean manufacturing principles and originally developed for technology development, the lean start-up model is a framework which is geared towards the minimisation of waste through a reduction of resources and/or redundant activities (Muellera & Thoring, 2012) This translates into the efficient development of business models (Yang et al., 2018; York, 2018), and is, like design thinking, considered to be a user driven innovation strategy (Muellera & Thoring, 2012). It is characterised by two main phases, that of search and execute, which has been positively correlated with effectuation and causation respectively (Yang et al., 2018). Within the first phase, customer identification and validation are required, a process that repeats until the validation stage-gate is passed. From this point execution may proceed, which starts with the step of customer creation, requiring the validation of the business model. Once the business model has been proven, the final step is scaling and the creation of growth (York, 2018). The process is indicated in Figure 4.

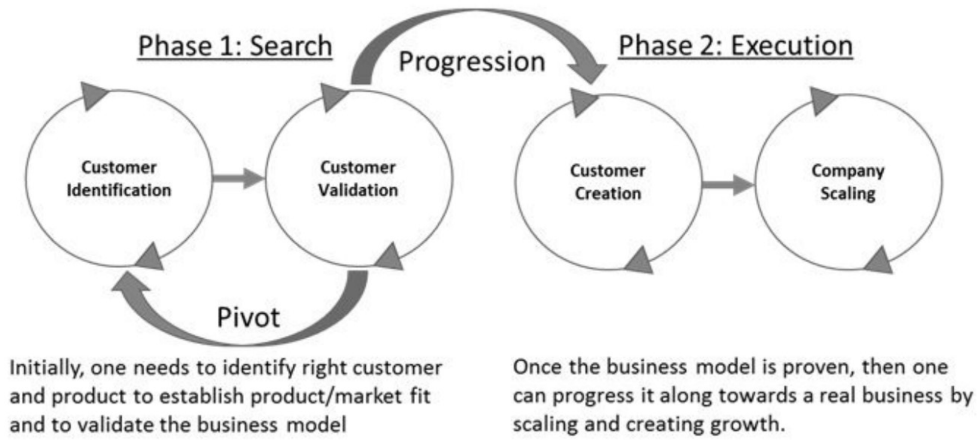

Figure 4: The twin phases and four steps of lean start-up (Taken from [York, 2018, p. 2])

The lean start-up process has intimate ties with that of the business model canvas and relies on business model design as a fundamental underpinning of the process. An effective tool to ensure that the business model is sound is by identifying and testing assumptions that have been integrated in the business model design (Frederiksen & Brem, 2017; Yang et al., 2018). Systematically taking each aspect of the business model design through assumption testing, the lean start-up framework is actualised through the immediate changes that are made to that part of the design. This implies that the business model is never static, and that only the subsequent iteration thereof is of value (Zeyen et al., 2013). Similarly, the process may be applied to the development of products, and the intention of the process is to reduce the time required to get the product to phase 2 through a process of build, measure, and learn (York, 2018). The fundamental underpinning of the process is the concept of the minimum viable product and minimum amount of activities required to test each iteration of the business model. In the case of the development of products, the minimum viable product is defined as a product that has the minimum number of features and functionality to get the job done. No amount of wastage is included in the process (York, 2018). The limiting of features, wastage and activities in all cases implies that the process of testing the product, service, or business plan can be accelerated to the point of minimum time to market, which provides the organisation with a competitive advantage (Ghezzi et al., 2015).

The principles of the lean start-up model and business model design frameworks are correlated with strategic and entrepreneurship literature. This adds legitimacy to the employment of the process in the design of sustainable business models. The focus of the method is on experimentation and learning, as opposed to conventional business planning, and is especially suited to the application, where innovative products or services are introduced to the market (Ghezzi et al., 2015). Lean start-up has the potential to unlock innovation for social businesses, which to date has remained untapped (Semcow & Morrison, 2018).

Lean start-up is not explicit on how the input from customers is to be collected and could be augmented with the ideation techniques suggested by design thinking. Further to this, design thinking offers more opportunities for revising the previous steps in the design process, which could be of benefit to the lean start-up process (Muellera & Thoring, 2012).

2.4 Governance and performance objectives of early stage and operating social enterprises

2.4.1 The governance of social enterprises

Social entrepreneurs are facing more and more competition due to increasing demand for their products and services from beneficiaries, as well as increasing demands from benefactors in the effectiveness of the organisation in creating value. This is also closely coupled with a demand for funding in the industry (Grieco, 2015, p. 8). Added to this, institutional control, which includes legal compliance, also requires reporting of activities and institutional coherence (Bagnoli & Megali, 2011). The combination of these demands have led to an increased demand for social entrepreneurs in general to improve organisational performance and discipline beyond any measure that was previously required (Weerawardena & Sullivan Mort, 2006). Benefactors, which may include philanthropists, governments, and/or impact investors, require increased accountability in terms of their donations and investments (Molecke & Pinkse, 2017). In response to this, social entrepreneurs have developed managerial control systems and reporting mechanisms through which they aim to balance these demands against achieving the mission of the organisation in a resource-constrained environment (Molecke & Pinkse, 2017).

With the emergence of social enterprises, a fourth way of organising in business has been introduced, which differs from that of conventional business, non-profits, and government. This implies that areas such as organisational legal form and governance require consideration outside of the conventional. Accountability to both the social and commercial missions, along with the need to be accountable to multiple stakeholders, means that the governance of social enterprises can be challenging (Ebrahim et al., 2014). Ideally, governance structures and the composition of the board should reflect the complexity of the business model, and whether value spill-overs occur automatically or are contingent on specific actions of the organisation. Additionally, governance is contingent on whether clients and beneficiaries are the same individuals, or not (F. M. Santos & Birkholz, 2015).

An important consideration for opportunity evaluation and creation is that organisational design and governance requires continuous adjustment, based on the life cycle of the organisation, yet should always be guided by ensuring the success of the social mission (Perrini et al., 2010). Design thinking, or similar user-centred design processes, show promise in effectively facilitating the process, as it highlights the requirements for changes to organisational design and governance requirements (Selloni & Corubolo, 2017).

2.4.2 Performance measurement in social enterprises

The adoption of performance measurement in social entrepreneurship is linked to the increase of competition in the sector, and the requirement to communicate to and be accountable for the performance of the organisation to stakeholders (Grieco, 2015, p. 32). Performance measures are essential to enable social entrepreneurs to make best use of resources to ensure the social mission is attained (Grieco, 2015, p. 33).

Three central areas of control and performance measurement in social enterprises include financial regulation, social effectiveness results, and institutional legitimacy (Bagnoli & Megali, 2011). With regards to financial regulation, performance is measured in terms of revenues, costs, and in traditional accounting ratios of financial effectiveness. Under social effectiveness, firmly measured performance in terms of achieving benefits for beneficiaries and impact goals, are to be traded-off against the amount of resources that have been used to effect them (also see 2.4.3). Internal effectiveness in the creation of outputs and the effectiveness of outputs themselves are also of interest. For institutional legitimacy, areas such as the organisation's performance in terms of its own mission goals, compliance with legislation, and other norms, are of interest. Between these three areas of control, alignment of the social effectiveness results with the mission goals, the productivity of the organisation in terms of the social outputs, and its compliance with the requirement to not redistribute profits to any shareholders or stakeholders is required (Bagnoli & Megali, 2011). Other measures that may be added are the effectiveness of management in internal and external processes, which may include accountability to beneficiaries (Arena, Azzone, & Bengo, 2015).

Performance management is of equal importance to social entrepreneurs, benefactors, and external stakeholders (Molecke & Pinkse, 2017). The reporting of performance measures and outcomes aids in the communication of organisational achievements that enable the organisation access to critical funding (Grieco, 2015, p. 33). Given the details provided by the literature, social entrepreneurs undertaking the evaluation and creation of opportunities for sustainable organisations would benefit from an understanding of performance measurement as it provides the required guidance for developing metrics for an effective organisation. It may be further argued that performance metrics could drive portions of the business model design as the social outputs need to be balanced with the efficiency in achieving them and the types of outputs need to be balanced with the organisational vision.

2.4.3 The measurement of social impact

Post-initiation of the social entrepreneurial venture, social entrepreneurs seek clarity on their progress in creating social value, and achieve this through measurement of outputs as well as direct and broader impacts (Grieco et al., 2015; Holt & Littlewood, 2015). The measurement of social value creation is also used to support decision making, as well as accountability to stakeholders (Arena et al., 2015).

Partly due to the ambiguity of the concept of social value and the difficulty in isolating this in the social system, the measurement of impact and the development of qualitative and quantitative metrics is complex and difficult to obtain. Added to this is an over-reliance on a primarily logical view in methodologies on the causal chain of events, where impacts result from outputs, which does not account for contextual factors that may negate impacts (Grieco et al., 2015; Molecke & Pinkse, 2017). Despite this, a proliferation of impact measurement methodologies is available, which have been developed by scholars and reputable organisations like GIIN and the United Nations.

Grieco, Michelini, and Iasevoli (2015) have screened 76 social impact assessment models and have classified these into groupings such as simple to complex, holistic (including social and environmental impacts) and focussed, generic and specific, and prospective to retrospective. Notably, only three of the models investigated by them are prospective in nature. Some of these methodologies offer quantitative or qualitative measures, or a combination of both. Of interest is the measurement of social return on investment, a quantitative method which monetises the impact by means of comparing the costs that would have been spent publicly to resolve the issue. This methodology is indicatively becoming the measurement of choice in the industry (Arvidson & Lyon, 2014). It may be further argued that it can be of use in cost-benefit evaluations. Others have suggested that, outside of quantitative and qualitative social impact assessments, subjective well-being, as a measure of life satisfaction, should be considered as a measurement for social impact. This raises questions whether the root causes of social injustices will be addressed if temporary improvements in subjective well-being are measured, following what might be a superficial treatment of symptoms (Sinkovics et al., 2015).

This variety of proposed measurement methodologies has resulted in friction between stakeholders over which method to select from the abundance of available options (Molecke & Pinkse, 2017). The requirement to measure is furthermore already burdensome on the social enterprise, as it misappropriates valuable resources from the organisation and detracts from its mission. The costs associated with data acquisition are construed to be an unwise investment amidst an essentially resource-constrained environment (Molecke & Pinkse, 2017). Added to this, differences emerge in the understanding of the nature of the impact itself and strict adherence to the theoretical base of the logic model, which does not take contextual factors into consideration. This factor leads to additional tensions between social enterprises and their funders (Molecke & Pinkse, 2017). Yet further tension is created when funders require simple measurements to be generated from detailed experiential information, such as that enacted in the field. This is due to the preference of funders for specific formal measures, which may or may not be suited to the nature the social entrepreneurial venture (Molecke & Pinkse, 2017). As a result, social entrepreneurs resort to novel ways of providing measurement, often making do with information that is readily at hand, as well as with selective implementation of portions of established methodologies. This often leads to the rejection of measurement results by auditors, who are often affiliated with the funders (Molecke & Pinkse, 2017).

Although the literature contains abundant discussion on the nature of social value and its measurement post-investment, it is not clear what methodologies and motivations are prevalent in the evaluation of opportunities pre-investment, or in early-stage organisations.

2.4.4 Tensions in hybrid organising

Social enterprises are characterised by divergent social and commercial missions, which translate into tensions when they are addressed simultaneously. The divergent identities of the social and commercial sides of social enterprises may be characterised by separate goals, values, and norms (Bruneel et al., 2016; Smith et al., 2013). These tensions may also span the organisational boundaries or beyond, and may require the management of internal and external stakeholders. Hybrid organisations need to align the organisation and its resources with the competing demands of the duel mission (Bruneel et al., 2016). Many social entrepreneurs manage to mitigate risks associated with mission drift and integrate the duel missions to create sustainable social enterprises. Challenges that are overcome to enable this include the legal structure of the organisation, purposefully designed financing and revenue structures, the integration of customers and beneficiaries, and organisational cultures that support both missions (Battilana et al., 2012). Hybrid governance, which includes wider representation of the duel missions in the board, provides for further means of ameliorating tensions that develop in delivering social and commercial value (Bruneel et al., 2016). This also supports the notion of structural separation which, along with temporal separation and acceptance of tensions, are strategies that may be employed by social entrepreneurs in trading off the allocation of resources and activities in support of the various goals of the social enterprise (Siegner, Pinkse, & Panwar, 2018).

For start-up organisations, it is important to recognise the requirement for the management of these tensions in the short and long term. Tensions are likely to shift with time, and as the development of the organisation progresses, where also tensions between varied social goals may transpire (Siegner et al., 2018). Added to this, stakeholder logics that may have been supportive during start-up may no longer be such once the organisation develops (Bruneel et al., 2016). Examples of this includes the remuneration of employees, which in the short term may be below market rates, yet may not be sustainable in the long run as competencies develop (Siegner et al., 2018). The emergence and evolution of these tensions have a clear strategic impact on the structuring of the organisation, which needs to be considered during the evaluation and creation of opportunities.

2.4 Synopsys

A distinctive component of social entrepreneurship is the concept of social value creation which distinguishes it from commercial entrepreneurship. However, there are many overlaps between the two concepts. With the development of theory on hybrid firms, these overlaps have become more evident in the shared goal of sustainability, which is to be achieved, although partially in many cases, through self-generated revenue streams. However, social value creation remains a strategic imperative for social enterprises. The literature has provided detail of how both economic and social value is created by social enterprises, and it is to be inferred that the creation of value is a critical consideration for nascent social entrepreneurs. The closely related concept of social impact has been the subject of much debate and development in the literature. This debate has also been carried over into both the impact investing and impact measurement spheres. In terms of the latter, it has been shown that the measurement, of impact is complicated by especially the unavailability of information and the shortage of resources to effect these measurements. Added to this, the concept itself is at the centre of much debate due to the variability in its dimensions. As a result, it may be inferred that forecasting of social impact in the evaluation stage is problematic and the literature indicated that it is a critical process in evaluation.

The literature review has revealed that the field of social entrepreneurial processes, and especially that of opportunity evaluation in the venture creation phase, has been under-researched. This process, which has been shown to include a balancing of social and financial outcomes, is undertaken either formally or informally, and is likely a process that is undertaken throughout the various stages of venture creation. However, other means of evaluating and creating opportunities are available, and instead of formal evaluation, entrepreneurs frequently create opportunities for their organisations using the logics of bricolage and effectuation. The process of piloting that may be supported by lean start-up principles is another viable avenue for the evaluation and creation of opportunities in entrepreneurship, and one which has been applied in social entrepreneurship. Added to this, design thinking has shown promise through its creation of viable products and services in social entrepreneurship. Despite this, research is inceptive on the use and effectiveness of user-centric design in social enterprise creation. With a prevalence of alternative routes to social enterprise creation, questions arise as to how social entrepreneurs evaluate or create opportunities for social enterprises.

Other areas of interest, such as the development of the business model and the related triple layered business model canvas, was also introduced. The development of a business model introduces the requirement for a balancing of available resources, which is an important decision variable in opportunity evaluation and venture creation. It was shown that feasibility and the motivation of the entrepreneur are the two critical variables impacting on the decision to proceed with venture exploitation. Further to this, entrepreneurs are likely to face opportunity risks and barriers to entry into both the social spheres and markets they seek to enter.

The apparently opposing views on the process of opportunity evaluation and creation raise questions as to the processes enacted by social entrepreneurs, with existing research failing to address these questions, or explore the details surrounding the formation of social enterprises, the factors that impact on the process, or the decision variables. Verreynne, Miles, and Harris (2013) stress the importance of applying the entrepreneurial method in opportunity evaluation, as it ensures the effectiveness of organisations in meeting beneficiary needs, and effects improved products, services, and business models for operating enterprises. To this point, an integrative view on the process of opportunity evaluation and creation is required to bring together the apparently disparate literature on the factors that impact on organisational forming and performance. Here areas such as opportunity risk and the impact of contextual factors are of importance. Further to this, questions remain as to how the principles and/or processes of design thinking and lean start-up can be employed in ensuring the creation of effective and efficient social enterprises. The literature review has provided an overview of available theory in the field and has highlighted a number of complexities and areas where clear gaps exist in the literature. These questions are further explored in the Research Questions (cf. 3.0)

CHAPTER 3. Research Questions

The lack of clarity and research on the process of how opportunities in social entrepreneurial ventures are evaluated in the pre-investment phase is of interest to this study. With the aim of addressing this gap in research, the research questions were formulated against the background of information distilled from the literature review, for the purpose of clarifying understanding of the opportunity evaluation and creation process.

Research Question 1: *What are the processes applied in opportunity evaluation for the creation of social enterprises?*

Research is lacking on the process by which social entrepreneurial opportunities are discovered or identified, evaluated, formalised, and subsequently exploited (González et al., 2017; Perrini et al., 2010; Shane & Venkataraman, 2000). This implies that the process of social entrepreneurial opportunity evaluation is itself also under-researched. Perrini, Vurro, and Costanzo (2010) have indicated that evaluation is a distinct stage in the creation of social enterprises. However, the literature indicates that evaluation may be undertaken at any stage pre- and post-investment, and that an iterative approach is often followed, where evaluation of the opportunity is undertaken informally throughout the various stages of its development (Ardichvili et al., 2003). Added to this, the literature indicates that the process of evaluation is often either not undertaken formally, or undertaken post-establishment of the venture, or even not at all. Formal pre-investment planning is not critical for the success of the venture (Lanteri, 2015). Also, social entrepreneurs often engage in social interventions without undertaking evaluation, due to their associating with the problem, as well as the general emotive nature of the decision to engage in social interventions (Dobson et al., 2018; Michelucci, 2017; Perrini et al., 2010).

These factors raise the question as to what processes social entrepreneurs follow in the evaluation of opportunities in the pre- and post-investment stages of social enterprise creation. The purpose of this question is to uncover the processes, the stages they emerge in, and the motivating factors that lead to the enactment of these processes. In describing these processes and their motivating factors, a clearer understanding of how and why social entrepreneurs enact certain processes in opportunity evaluation may emerge.

Research Question 2: *What is the context of opportunity evaluation for the creation of social enterprises?*

The purpose of this question is to create a contextual understanding of the environment in which opportunity evaluation is undertaken, as well as the broader factors impacting on opportunity evaluation. Perrini, Vurro, and Costanzo (2010) have called for further research into venture creation processes, including the environmental and organisational contexts, as well as the effect of networks and resources on each of the processes. Research into entrepreneurship processes would be incomplete without an understanding of the context in which it is being undertaken. Allowing for a contextual understanding provides for greater generalisability of entrepreneurial research (Garud et al., 2014). Added to this, the influence of stakeholders in the evaluation of opportunities is of interest. Questions emerge surrounding the extent to which stakeholders influence the vision, and subsequently the mission, of the emergent organisation during the evaluation stage. Evidence of funders affecting these aspects in practice has been offered by Arvidson and Lyon (2014). Added to this is the complexity of measurement and the possibility of frictions arising in terms of which method to apply (Molecke & Pinkse, 2017). As such, this question seeks to understand the context and the impact of the context on the broader evaluation process. In understanding the context, a better grasp of the environment and its impact on decision-making in the creation of social enterprises may emerge that may in turn provide a better comprehension of factors impacting on opportunity evaluation.

Research question 3: *How do social entrepreneurs mitigate risks in the opportunity evaluation stage of social enterprise creation?*

During the evaluation phase of entrepreneurial opportunities, information about the market and its potential, which impacts on the potential for value creation and value capture, is likely to be lacking. Due to this lack of information, entrepreneurs make decisions based on heuristics, drawing from intuition and guesses or a varying level of accurate and inaccurate information (Shane & Venkataraman, 2000). Social entrepreneurs may also resort to radical innovation and information search behaviours where information is lacking (González et al., 2017). The evaluation of social entrepreneurial opportunity for social enterprises requires trade-offs between social and captured value, in order to seek business models that are sustainable on the one hand, whilst providing long term social impacts on the other (Perrini et al., 2010). The pre-investment forecasting of social and financial value is thus a key process in social entrepreneurial opportunity evaluation and exploitation. Financial forecasts are relatively simple to formulate (Lall, 2017), However, social value forecasting is complicated by inherent difficulties in the measurement of social value (Grieco et al., 2015, p. 1183).

Social value creation is a critical component in this evaluation process (Perrini et al., 2010).

These factors imply that risks associated with information shortages, market knowledge, financial forecasts, and social value creation are likely to be prevalent in the opportunity evaluation stage of social enterprise creation. The purpose of this question is to discover the strategies that social entrepreneurs employ in the mitigation of risks to the sustainability of the social enterprise during the evaluation stage. An understanding of how social entrepreneurs mitigate risks of the future sustainability of the organisation may give rise to better risk mitigation in social enterprise evaluation

Research question 4: *How do social entrepreneurs approach business model design when evaluating social enterprise creation opportunities?*

The development of a business model introduces the requirement for a balancing of available and required resources and the design of the value creation and capture architecture. The business model has been expanded to include the social layer of the business model, and here the social value proposition emerges along with a theme of stakeholder relationships and impacts on society, which may be negative or positive (Joyce & Paquin, 2016). This question seeks to explore decisions in the processes of business model design, factors that may impact on the process and trade-offs may emerge (González et al., 2017). It also seeks to elucidate more information on the nature of the social value proposition itself, how it is formulated and how it impacts on business model design. A comprehension of how these multi-faceted elements of the business model is approached may give rise to a better understanding of how social entrepreneurial opportunities are evaluated and created through business model design for social enterprises.

Further to this, alternatives exist for the creation and evaluation of the business model as a whole. Here, user-centered design methods, which include the piloting of an idea, may be used to develop, measure, and improve the effectiveness of the business model through experimentation (Wilkinson & De Angeli, 2014). User-centric design strategies emerge as potentially potent sustainable business model design processes for the implementation of innovative solutions to problems. This question thus aims to provide answers to what strategies are employed in lieu of formal or informal forecasting and evaluation of social and financial returns. An understanding of the employment of user-centric design and piloting strategies may give rise to a better comprehension of how these processes may be used to evaluate opportunities.

CHAPTER 4. Research Methodology

4.1 Introduction

This chapter outlines the research methodology used in this study. The study made use of a qualitative exploratory approach to study the evaluation of social entrepreneurial opportunities with a specific focus on the creation of social enterprises, as this had been shown by the literature review to be an area that has not previously been studied. This latter point was also the main driving factor behind the exploratory design. Data was collected through a series of semi-structured interviews with various actors in the social entrepreneurial ecosystem which included founders of social enterprises, as well as funders which include impact investors and corporate foundations. The qualitative research design was selected with the aim of describing both the processes and motivating factors behind these processes to gain a rich understanding of the evaluation of social entrepreneurial opportunities in the social enterprise creation context. To support the qualitative design, use was made of data analysis, categorisation and thematic analysis, where the research questions were used as a guiding framework to undertake these processes. The research was conducted with cognisance of the various limitations of the study, as well as the potential for validity, reliability and ethical concerns arising from the research, which are all discussed in this chapter.

4.2 Research design

The exploratory nature of the research, which aimed to study current processes and practices of opportunity evaluation in social enterprise creation as well as motivators and influences in decision making, is well suited to the research problem. This is due to the fact that previously undiscovered information was sought about this less understood process (Saunders, Lewis, & Thornhill, 2009, p. 132). Qualitative research is aimed at answering questions on how and why specific actions are undertaken by actors (Miles & Huberman, 1994). As human creations, the practices employed in the field are subjective in nature, reflecting the experiences, history, and culture of the beneficiaries (or those acting on behalf of beneficiaries). This awareness reveals the study's sensitivity to the theory of social constructionism and the associated awareness that there are multiple realities to be explored (Saunders et al., 2009, p. 111). In terms of philosophical orientation, the study followed pragmatism, which was pioneered as a less structured way of reflecting on research, allowing the research and its methodology to be guided by the information as it becomes available (Tashakkori & Teddlie, 2010, p. 81). This epistemology has influenced the research methodology in that an iterative approach was followed in the data collection and here specific reference is made to the measurement instrument which was subject to adjustment as the data unfolded, echoing a reflexive and reflective stance to the data being collected (Petty, Thomson, & Stew, 2012a).

The research has multiple goals, each of which will be encapsulated in the research questions. Firstly, the purpose of the research was to gain an understanding and provide insight into the practice of social entrepreneurial opportunity evaluation, which requires elucidation of the processes and influencing factors. Secondly, the research aimed to provide clarity on contextual factors and the influence of stakeholders on decision making in the evaluation stage. Thirdly, the research sought to provide clarity on what risks social entrepreneurs meet and what strategies they mitigate them. Finally, the approach to the design of the business model was of interest to the These research goals were formulated with an aim of improved decision making in this arena. The purpose of the study was not to investigate the forming of opportunities nor the formalisation social enterprises as per the preceding or following steps of opportunity evaluation (Perrini et al., 2010).

Data was collected from a range of actors in the social entrepreneurial field, ranging from the founders of social enterprises to funders, which included that of corporate foundations, investors and loan capital providers. All participants had experience in the evaluation of opportunities for the creation of sustainable social enterprises. Due to the restrictive time-frame of the study, a cross sectional approach was employed (Saunders et al., 2009, p. 155).

4.3 Population

The monitoring of social entrepreneurial activities is, in many countries, not undertaken and regulatory frameworks do not support the registration of social entrepreneurial ventures in all countries (Bosma, Schøtt, Terjesen, & Kew, 2016; GIBS, 2018). Added to this, it is likely that much of any entrepreneurial activity occurs in the informal market and can thus not be monitored.

Social entrepreneurship, as a special case of entrepreneurship, is monitored by the Global Entrepreneurship Monitor (GEM) and a special report was issued in 2016 yet tracking activities in 2015. The monitoring of social entrepreneurial activity is divided into two categories, namely the broad and narrow definitions with their definitions being: "individuals who are starting or currently leading any kind of activity, organisation or initiative that has a particularly social, environmental or community objective" and "activity, organisation or initiative (i) prioritises social and environmental value over financial value; and (ii) operates in the market by producing goods and services" respectively. The broad and narrow definitions are tracked in 58 and 31 economies respectively (Bosma et al., 2016, p. 5). The prevalence of social entrepreneurship is summarised in the following Table 2. The percentages provided are that of the adult population which is defined as between 18 and 64 years of age.

Table 2: Prevalence of social entrepreneurship as monitored by GEM in 2015 (Bosma et al., 2016, pp. 5–14).

Prevalence by category	**Average**	**Minimum**	**Maximum**
Nascent social entrepreneurs (broad definition)	3.2%	0.3% (South Korea)	10.1% (Peru)
Operating social entrepreneurs (broad definition)	3.7%	0.4% (Iran)	14.0% (Senegal)
Nascent social entrepreneurs (narrow definition)	1.1%	<0.1% (South Korea)	10% (Peru)
Operating social entrepreneurs (narrow definition)	1.2%	<1% (Bulgaria)	14% (Luxembourg)
Nascent social entrepreneurs in South Africa (broad definition)	1.8%	N/A	N/A
Operating social entrepreneurs in South Africa (broad definition)	Not tracked	N/A	N/A

In a recent survey, GIBS (2018) indicated that the number of socially oriented businesses in South Africa number in the tens of thousands, with 49% registered as Section 21 not-for-profit entities, 17% as private companies, 11% as voluntary organisations and 8% as hybrids of any one of these regulatory types. The number of entities operating in the country that are not registered, and thus operating in the informal market, cannot be determined at this stage.

The number of impact investors worldwide is equally difficult to track, however a recent survey by the Global Impact Investing Network, defining investment as funders taking equity in or providing loan capital to social enterprises, indicated that more than 229 such organisations exist worldwide and 13 or more of these are located in Sub-Saharan Africa (Mudaliar, Bass, & Dithrich, 2018, p. 2). The actual number of impact investors in South Africa is not known. Similarly, the prevalence of foundations providing donations to social enterprises in South Africa is not known.

The population consisted of experienced social entrepreneurs, yet also impact investors, corporate funders and loan capital providers, located in South Africa. The qualifying criteria for participating in the study included that the subjects have founded or invested in one or more social enterprises. This is because the ability of entrepreneurs to evaluate opportunities has been strongly linked to previous education and experience with setting up businesses (Urban, 2014). Two interviews with social entrepreneurs who are considering a hybrid models have been included where in social enterprises have been defined as any venture with hybrid funding models, and where social value creation is the primary strategic concern of the venture (Holt & Littlewood, 2015, p. 109). The population size of this study is unknown.

4.4 Sampling

4.4.1 Sampling Method

A judgmental sampling process, augmented by snowball sampling, was used to provide the sample. This implies that the sample is not broadly representative of the population. The broader retrospectivity of the sample is also compromised by the small sample size (Saunders & Lewis, 2012). However, the selection of the sample was supported by a set of criteria which ensured the sample is best suited to answer the research questions.

The researcher made use of existing networks with academics and professionals in the field to compile a list of experienced social entrepreneurs, impact investors and corporate funders. A screening process facilitated by internet-based research of organisational context and operations, further supported by a set of predetermined questions, ensured that potential participants were eligible for the study. The sample was then henceforth expanded using snowball sampling techniques, where participants were requested to provide further references to other, eligible participants that they were aware of. All potential participants were again screened using internet-based research of organisational context and operations, as well as by a set of predetermined questions to ensure eligibility for the study.

The anonymity of participants, the organisations they represent and other organisations in their networks was agreed upon and ensured through the removal of identifying information. To this end, the organisations that are represented in the study have been provided with pseudonyms that broadly describe their line off business and all parties and stakeholders that form part of its network have been described depending on their role to the organisation along with the participant number.

4.4.2 Sample size

Based on research on saturation in qualitative research, data saturation may be reached in 12 interviews (Guest, Bunce, & Johnson, 2006, p. 59). However, based on the assumption that the field of study was ill-defined and owing to the researcher's lack of experience in interviewing and qualitative research, a total of 16 interviews were undertaken. This was also driven by time constraints and the difficulty in identifying participants, allocating time with participants and communicating with top-management in the targeted organisations.

4.4.3 Research Sample

The sample consisted of founders of social enterprises as well as fund managers for impact investors and corporate foundations that have either founded or invested in social enterprises as well as social entrepreneurs that were actively considering the extension of their business model to include self-generated income. Table 3 indicates the sample where the types of organisations, and the experience of the participant with founding or investing in social enterprises are represented.

Table 3: The types of organisations and participant experience with founding and investing in social enterprises.

Partici-pant	Evolution of business model and/or line of business	Created organisations studied
1	NPO* to social enterprise	P1 Organisation
2	Social enterprise	P2 Organisation
3	Funder – Corporate foundation	P3 Organisation

Partici-pant	Evolution of business model and/or line of business	Created organisations studied
4	Social enterprise Social enterprise Social enterprise Social enterprise	P4 Organisation A P4 Organisation B P4 Organisation C P4 Organisation D
5	NPO to social enterprise	P5 Organisation
6	Funder – Corporate foundation	P6 Organisation
7	Funder – Impact investor	P7 Organisation
8	NPO to social enterprise	P8 Organisation
9	NPO to social enterprise	P9 Organisation
10	NPO (considering hybrid model)	P10 Organisation
11	NPO to social enterprise	P11 Organisation
12	Revenue generating NPO (considering hybrid model)	P12 Organisation
13	Funder – Impact loan provider	P13 Organisation
14	NPO to social enterprise	P14 Organisation
15	NPO to social enterprise Social enterprise	P15 Organisation 1 P15 Organisation 2
16	Social enterprise	P16 Organisation

* Non-profit organisation (NPO)

Conducting the study using data as provided by the participants was considered appropriate as the sample represents both expert social entrepreneurs and industry experts with experience in the evaluation of social entrepreneurial opportunities, as well as representing a broad perspective on the processes involved and the motivating factors concerned. Inexperienced social entrepreneurs and employees of social enterprises were deemed inappropriate for the study as they would not be able to share information on the creation of social enterprises due to lack of experience or seniority. Similarly, entrepreneurs, investors, loan capital providers and funders in commercial entrepreneurships were excluded due to the lack of experience with the social element in social entrepreneurship.

4.5 Unit of analysis

The unit of analysis was the processes and methodologies employed in entrepreneurial opportunity evaluation and the factors that influence them. The research was able to elicit these processes and their motivations through exploring the opportunity evaluation context and the ecosystem of social entrepreneurship in South Africa.

4.6 Measurement instrument

The selected measurement instrument for this study was semi-structured, in-depth interviews. The research was undertaken with an interview schedule that included open and probing questions, formulated to guide the interview process. The set of questions were developed to reflect the varied theoretical perspectives extracted both deductively and inductively from the academic literature (Saunders et al., 2009, p. 318). Echoing this approach, the interview schedule was compiled to guide the interview based on the themes emerging from the literature review, yet the structure of the schedule was composed with primary open questions to allow the participant freedom in response with the aim of eliciting rich data. Where participants were either unable to respond or where insufficient data was collected from the initial open question, a set of secondary probing questions provided focus on the details the research is seeking to extract (Healey & Rawlinson, 1993). The structure of the interview schedule and the application of this structure in the interview was introduced to provide a measure of reliability to the research (Riege, 2003; Saunders et al., 2009, p. 157). To provide a measure of replicability, the researcher employed an interviewing style that was as neutral and structured as possible, given the manner in which participants engaged with the questions and the researcher (Riege, 2003).

The interview schedule was evaluated for content validity as well as predictive validity before and during the research process. Content validity was checked by soliciting expert opinion on the interview schedule from a senior academic and by self-evaluation of the content of the schedule to cover the research topic and the areas of interest within it.

Another technique that was used to validate content validly was the mapping of the reviewed literature to the research questions and again to the interview schedule using a consistency matrix (Maxwell, 2013). This mapping is indicated in Table 4.

Table 4: Research questions as mapped to the interview questions.

Research questions		**Interview schedule questions**	
Q1	*What are the processes applied in opportunity evaluation for the creation of social enterprises?*	Q1 a)	Why are you involved with social entrepreneurship (as an entrepreneur / investor)?
		Q1 b)	Please describe what you consider to be best practice in social venture opportunity evaluation?
		Q1 c)	What factors do you consider to be indicators of future sustainability in a venture's evaluation and why?
		Q1 d)	Can you tell me about the role of the emotional value of decisions in with investing resources in an opportunity?
		Q1 e)	Please can you tell me the story of your venture's evaluation and creation?
Q2	*What is the context of opportunity evaluation for the creation of social enterprises?*	Q2 a)	Who do you consider to be your key influencing stakeholders in the evaluation phase of an opportunity and why?
		Q2 b)	Have you ever been asked to change a forecasting/measurement methodology or organisational outputs, either during evaluation or afterwards and why and by whom?
		Q2 c)	What other influencing factors, not mentioned here, do you consider pertinent to decision-making in opportunity evaluation?

Research questions		Interview schedule questions	
Q3	*How do social entrepreneurs mitigate risks in the opportunity evaluation stage of social enterprise creation?*	Q3 a)	What risks to the future venture do you consider in the process of evaluation and why?
		Q3 b)	What forecasting methodologies do you use for financial requirements and social outputs or impacts and why or why not?
		Q3 c)	To what extent do you consider the forecasting and measurement of social returns or impacts to be difficult to obtain and why?
Q4	*How do social entrepreneurs approach business model design when evaluating social enterprise creation opportunities?*	Q4 a)	How do you approach the design of the business model (which includes the value offering to your customers and society and the revenue/profit/investment model and how value is created through firm activities resources when evaluating an opportunity?
		Q4 b)	How do you structure the revenue model in terms of income, profits, dividends and investments and why?
		Q4 c)	Have you successfully implemented a social enterprise using prototyping or piloting, please tell me about it?

Predictive validity was confirmed by the pilot interviews as well as subsequent interviews with the researcher testing the effectiveness of the wording used to ask the question whilst progressively adjusting it to improve its effectiveness of the questioning (Saunders et al., 2009, p. 373).

The interview schedule was also developed to cover a wide spectrum of potential interviewee responses. Questions were included in the schedule that could be flexibly applied to ensure the variability in information arising from the research could be addressed. This approach was taken due to the uncertainty presented in the literature review. The literature indicates that formal linear processes of evaluation presented by

Perrini, Vurro, and Costanzo (2010) are not the norm. Instead, an iterative approach is followed, where evaluation of the opportunity is undertaken informally throughout the various stages of its development (Ardichvili et al., 2003). In commercial entrepreneurship, emphasis is placed on the evaluation of long-term gain in the organisation. This type of pre-investment analysis is not common with social entrepreneurship where, rather, the decision to enter into the venture commonly precedes any form of analysis; this due to the emotive nature of the decision. Such analyses will, however, commonly still be undertaken post-investment, for the purpose of developing sustainable business models that are balanced with the envisioned societal outcomes (Perrini et al., 2010). Other sources indicate that no analysis is undertaken before a social enterprise is scaled. Instead, in their case study each next step in the organisation's scaling of operations was approached on an experimental basis due to pervasive uncertainty and lack of information (Dobson et al., 2018). The requirement for evaluation is, however, likely to be pursued by the organisation's (impact) investors, who will likely be seeking maximum social return on investment, as well as possibly a financial return, although investors more often only become involved post-formation of the social enterprise (Michelucci, 2017). These factors initially introduced uncertainty to the final direction of the study. Questions needed to be answered as to whether there is an explicit focus on formal planning and evaluation or whether prototyping or a derivative thereof offers a more opportune method to evaluating the business model in a resource deprived business environment. Also, do social entrepreneurs forgo the evaluation stage altogether due to the impact of affect in the decision? To this end, the interview schedule was developed to cover a wide spectrum of potential directions in the study, and individual interviews and interviewee feedback on questions was used to select questions from the schedule that would most consequently provide the relevant information.

4.7 Pilot testing

A process of pilot testing was used to ensure the reliability of the measurement instrument. This included two pilot interviews to provide a measure of the effectiveness of the interview schedule in extracting the required data. Where deficiencies were found to exist, amendments to the schedule was made to ensure better data extraction without diverging from the research questions. These interviews were conducted with active practitioners in social entrepreneurship which were found to be eligible for the study. The schedule was found to be effective in these pilot interviews with only one question found to create difficulty with the participant, this being the questions surrounding the revenue model, as there is much variability in the industry. The question was reframed to elicit how revenues are applied within the business architecture.

4.8 Data collection

A series of one-on-one and face-to-face or telephonic, in-depth interviews with participants were undertaken to gather the data. The interview schedule was used to guide the process of interviewing proving a set of prompts. However, due to the semi-structured nature of the interview, the interviewee was allowed freedom to guide the researcher, yet within the confines of the research areas of interest (Petty, Thomson, & Stew, 2012b). The interviews were spread out over a period of two months and no more than one interview was executed in a day. This was intentionally enacted to enable the researcher time for critical reflection on the themes emerging from the research and to guide the researcher in terms of areas of interest in the subsequent interviews (Maxwell, 2013). Where possible, the researcher undertook interviews in the setting of the interviewee’s place of work, since this provided the required context for the interviewee to engage personally with, and provide relatedness to, the content of the discussions. This approach was also likely to provide comfort with the participants and thus eliciting more open discussion (Saunders et al., 2009, p. 324). Due to the restriction of time and the distant locality of certain participants, a number of telephonic interviews were also undertaken.

To provide a measure of replicability, the researcher employed an interviewing style that was as neutral and structured as possible, subject to the manner in which participants engaged with the questions and the researcher (Riege, 2003). This was, however, subject to the pragmatist approach to the research in which an interpretivist stance allowed the researcher to explore areas of interest emerging in the interview, yet always returning to the structure of the interview. This allowed the participants to engage with the meaning that the facts provided have for them (Saunders et al., 2009, p. 514). Due to the exploratory nature of the research, certain questions were either included or omitted based on the context of the organisation and the interviewee (Saunders et al., 2009, p. 321). During the interview, the researcher employed attentive listening, interpreting the information for richness and content while also steering discussions in the appropriate direction to gather the required data (Saunders et al., 2009, p. 334). The interview schedule was employed in a layered approach, where a primary question was typically phrased as an open question to elicit rich data which included facts and attitudes (Saunders et al., 2009, p. 337). Probing sub-questions were employed in the interview to elicit specific data where this data may have not emerged from the primary question (Saunders et al., 2009, p. 338).

Before the interview, interviewees were provided with a short description of the nature of the research, in order to aid their understanding and preparation. Interviewees were also provided with informed consent agreements which were signed by the researcher and the participant. With permission of the interviewees, interviews were recorded whilst field notes were taken during the interviews. The aim of the field notes was in providing secondary information in terms of facial expressions and body language, where expressions of excitement or discomfort was of interest to the interviewer (Saunders et al., 2009, p. 339). The recordings from the interviews were transcribed using a structured process where all identifying information was replaced with pseudonyms or participant numbers. Some interviewees offered secondary data in the interviews which contained pertinent information on their organisation and its vision, mission, processes and procedures. This information was then cleared of all identifying information and included, together with the transcripts and the field notes, into the analysis process.

Data saturation in qualitative research is defined as the point where further interviews do not yield any new information or themes (Saunders et al., 2009, p. 345). The interviewing process was perpetuated, and some measure of data saturation became evident, however, new codes were none the less generated in the later interviews. The interviewing process was stopped due to time constraints. Despite this, the research may be considered to have reached theoretical saturation (Petty et al., 2012b).

4.9 Data analysis

4.9.1 Transcriptions

The recordings were transcribed verbatim into text data by a transcriber. Transcripts include not only spoken words, but also additional information based on the interviewer's notes describing any nonverbal reactions to the questions asked (Kele, 2018). File naming conventions for the audio and transcripts was designed to enable quick tracking of data in future, whilst preserving the anonymity of those interviewed (Saunders et al., 2009, p. 489). A structured and consistent methodology was used for all transcripts. All transcripts were audited and corrected where necessary. All identifying information, particularly associated with the organisation, were removed from the transcripts. Transcripts were then loaded into the data analysis tool.

4.9.2 Secondary data

Secondary data offered by participants to the research, as well as the data generated in the field notes, were included in the research. Similar to the transcripts, this data was cleared of all identifiers and prepared for input into the data analysis tool.

4.9.3 Data analysis tool

Use was made of Atlas.ti8 which is a computer data management tool for qualitative analysis to aid in the process of analysis. This tool enabled the management of the various transcripts and the codes assigned to the areas of meaning in the transcripts. It was also used for thematic analysis and for capturing initial findings.

4.9.4 Analysis method

The researcher applied more than one strategy to the process of analysis. The analysis was undertaken through an inductive approach which called for a more structured, interpretive approach to the analysis, as it aimed to propose a theoretical framework for measuring social value (Saunders et al., 2009, p. 492). The process is based on observation of phenomenological artefacts in the field and the application of thematic analysis which enables the development of either conceptual theoretical perspectives or frameworks, where substantial evidence is found to substantiate these views (Saunders et al., 2009, p. 490). To enact this approach, a process of creating codes, noting patterns and themes, identifying trends, mapping relationships, noting plausibility, clustering, counting, making contrasts and comparisons, finding intervening variables and building a logic chain of evidence was used (Miles & Huberman, 1994, Chapter 10; Vaughn & Turner, 2016).

Following the completion of the transcriptions, the process of thematically coding the transcripts was ensued. Through the process of coding, active data reduction was used in order to focus on the relevant content, thus abstracting this content from the data (Miles & Huberman, 1994, p. 10). Qualitative secondary data offered to the research and integrated into the data set and analysis, provided a measure of triangulation which serves to establish credibility of the data (Riege, 2003). Sets of codes were categorised, along with sub-categories, before being placed into main themes or concepts (Miles & Huberman, 1994, Chapter 4). The final step was to group these categories into themes which was used for the development of theory (Miles & Huberman, 1994, Chapter 10). It should be noted that the analysis of the data was an interactive learning process that prompted the researcher to re-categorise the data or formulate new propositions as relationships, themes, or patterns emerged (Saunders et al., 2009, p. 488). The process of categorisation, initially driven by the literature review and themes emerging from the data, was descriptive in nature and organised by hierarchy, so as to reflect the inductive approach. The process was refined over time, as the body of knowledge increased from the interviews. The researcher utilised the frameworks suggested by the research questions to aid in the process of data arrangement (Saunders et al., 2009, p. 505). The process also involved additional sub-division of categories as the data unveiled greater depth (Saunders et al., 2009, p. 493).

Following on the completion of categorisation, propositions were developed that were tested against the data as the research moved towards explanatory theory while being guided by the purpose of the research. Intervening variables were also identified, providing further substance and differentiation to relationships along with alternative views (Saunders et al., 2009, p. 494). Quantification of the themes was also undertaken, derived from the coding of the data as undertaken at this stage.

4.10 Validity, reliability and generalisability

Due to the nature of the selected measurement instrument, it being of qualitative research design, issues regarding reliability, validity and generalisability may result (Saunders et al., 2009, p. 156). Reliability refers to the measure of which the research can be replicated by other researchers (Riege, 2003). Validity refers to the measure of meaningfulness and meaning of the information (Healey & Rawlinson, 1993). Two types of validity are of concern, these being internal and external validity which refers to the extent that findings are acceptable to the participants in the study and the extent to which findings can be applied to other contexts outside of the study respectively (Petty et al., 2012b). External validity or generalisability refers to the applicableness of the research to other research settings (Saunders et al., 2009, p. 158).

These aspects were controlled for by the researcher through the means of carefully selecting the research setting, context, sample, and data collection methods. Further to this, the researcher applied theoretical and analytical rigour before, during and post data collection (Morse, Barrett, Mayan, Olson, & Spiers, 2002; Saunders et al., 2009). Saunders, Lewis, and Thornhill (2009) highlight four types of reliability threats, these being subject error, participant bias, observer error and observer bias as is discussed, along with that of generalisability and rigour in the following sections.

4.10.1 Strategies used to control for subject error

Subject or participant error results as a consequence of the context and setting in which the participant is interviewed (Saunders et al., 2009, p. 156). Due to the research including subjective content, the participants may have biased opinions about previous experiences based on recency and depth of experience with social entrepreneurial opportunity evaluation and its processes. To control for this, experienced funders and social entrepreneurs were preferred for the study. Ensuring the right participants were interviewed for the study was controlled through the application of the eligibility criteria and screening process (see 4.4.1).

4.10.2 Strategies used to control for participant bias

Subject or participant bias emerges when participants model their responses to suit a perceived judgement, for example through social desirability bias. This aspect was controlled for by interviewing only participants of higher seniority, those that directly make decisions in social entrepreneurial opportunity evaluation and its processes (Saunders et al., 2009, p. 156). Participants were engaged primarily in one-on-one interviews in a private location to control for potential social acceptability bias which may be induced due to others being within earshot of the conversation. Although three telephonic interviews were also conducted, participants were encouraged to undertake the conversation in private.

It is also important that the researcher be aware that interviewees may tailor their responses to conform to social desirability. Through proper preparation, being knowledgeable on the topic and the organisation, and by learning from previous experiences, the researcher may be able to earn the trust and confidence of the interviewee, thus enabling a more open discussion (Saunders et al., 2009, p. 327). Critical to this process is that the researcher portrays respect (especially of cultural identities and traditions), as well as knowledgeability and enthusiasm for the topic and the industry (Saunders et al., 2009, p. 328). To control for this, the interviewing process was approached such that mutual fervour for the discussion was established. Attention was given to ensuring that neutrality supported by enthusiasm permeated the entire process. This neutrality and enthusiasm for the topic was controlled for by purposely managing the line of questioning, tone of voice, and by avoiding leading questions as far as possible (Saunders et al., 2009, p. 326).

4.10.3 Strategies used to control for observer error

Observer error occurs due to the researcher not being attentive and precise in the interview process, which is typically due to lack of concentration which may be induced by tiredness or other factors (Saunders et al., 2009, p. 596). This aspect was controlled for by a considered schedule of interviews, where a maximum of one interview was undertaken per day and a maximum of four interviews per week. The intention behind this control was to alleviate pressure on the researcher and to provide for periods of rest and reflection on the research process and emerging data.

4.10.4 Strategies used to control for observer bias

The threat of observer bias is implicit in the selected research methodology. As the researcher forms part of the measurement instrument, the result is that the process is subject to forms of researcher bias. Care is required when applying theory in the deductive analysis of the data, since biases may be introduced where the researcher prefers one theory or view to another, or where premature conclusions or confirmation of hypotheses may occur (Saunders et al., 2009, p. 489). This may stem from values or preconceived conclusions on the researcher's part (Given, 2008).

An effective tool for ensuring reliability and for reducing interviewer bias in the interview process is to summarise an interviewee's response to a question, and receive an evaluation of the adequacy of the interviewer's interpretation (Saunders et al., 2009, p. 334). This technique is also known as member checking and is considered the most effective method in ensuring that data is not misinterpreted, thus ensuring validity (Maxwell, 2013, p. 126). This process was repeatedly used throughout the data collection phase. Other areas of care arise from assessing the interviewee's behaviour and noting difficulty in answering questions or dealing with difficult behaviour by remaining impartial and focussed. Further to this, ensuring that the data is properly recorded and demonstrating rigour in the process provides a basis for reliability (Saunders et al., 2009, p. 334). Interviewer bias was mitigated to an extent by maintaining a neutral and pragmatical viewpoint throughout the study and by focusing on theory throughout the interview and analysis processes (Given, 2008; Morse et al., 2002). The researcher kept in mind that the objects under observation exist as social constructions, and that any form of judgement of either the content or the people involved will impact negatively on the validity of the data. Finally, observer bias was controlled in this study by implementing an audit trail in the interpretation of data and the subsequent implications and conclusion that were reached. This audit trail and the conclusions were also reviewed by an academic supervisor to ensure the findings were not biased in any way (Petty et al., 2012b).

4.10.5 Strategies used to ensure validity

Validity is defined by Saunders, Lewis, and Thornhill (2009) as “the extent to which a scale or measuring instrument measures what it is intended to measure” and several threats to validity are mentioned. Pertinent to this study are the selection of the participants and their eligibility for the study (see 4.4.1), as incorrect selection would result in invalid or lost data (Morse et al., 2002). One of the primary methods that was employed in the design of the measurement instrument was that all content, verbal and non-verbal was recorded and transcribed. This technique is effective in ensuring that the richness of the data is preserved (Maxwell, 2013).

It is also imperative that the interviewing process be effectively guided by the researcher to ensure the required data is gathered. This was aided by the researcher gaining progressive experience through the process, augmented by early analysis to understand what has been recorded, an aspect that steered future interviews (Morse et al., 2002). Validity may also be improved by providing interviewees with adequate information before the interview to grant them the opportunity to prepare. All participants were provided with a synopsis of the study during the eligibility screening proses and all participants were briefed on the exact nature of the study and its focus prior to the ensuing of questioning. These interventions were aimed at improving knowledge transfer and accuracy in responses (Saunders et al., 2009, p. 328).

Another way of enhancing validity is by looking for discrepant data. The researcher should be aware of data emerging during the interview that is discrepant from that offered earlier or through other communication or from secondary data. Data of this nature must be carefully scrutinised to ensure that the correct data is carried forward or that valid data is not discarded. This process may be further supported by member checking (Maxwell, 2013, p. 127).

4.10.6 Strategies used to ensure generalisability

While a lack in generalisability is inherent to qualitative research, there are a number of ways in which this can be improved. One way is to compare the results with similar studies and existing theory (Saunders et al., 2009, p. 335), as was done in the discussion section of this report (see 6.1 to 6.6). Although this was undertaken, the research setting is confined to that of social entrepreneurial opportunity evaluation within the borders of

South Africa and regional contexts are bound to have an influence on the generalisability of the research. The findings of this research should be tested in other contextual settings to provide for greater generalisability.

4.11 Ethical considerations

This study and its research was executed with cognisance of the requisite ethical considerations to its participants. Miles & Huberman (1994) cite three main areas of ethical focus, these being the recruitment of participants, fieldwork and reporting. In the recruitment of participants, care was taken to ensure that all participants were informed of the nature of the research, why they have been targeted and in the management of the data that will be collected. To this latter point and with focus on the considerations required in the area of reporting, Miles & Huberman (1994) indicate three areas of focus, thus being privacy, confidentiality and anonymity. All data was controlled by the researcher in that it was distributed to only the person undertaking the transcriptions and the academic personnel dealing with the adjudication of the research. In terms of confidentiality, agreements were made with the participants before and during the interview process as to what may be included in the research, be this primary or secondary data. In terms of anonymity, all identifying information has been removed from the primary and secondary data. Recorded data was however not edited, yet during the fieldwork, the researcher avoided the use of identifying information to the furthest extent, yet the capturing of identifying information is implicit in this process. The recordings were, as per agreement with the transcriber, deleted from all records and the only records that exits were handed over to the Gordon Institute of Business Science. The final area of focus, this being the fieldwork, ethical considerations include the avoidance of harm which involved the researcher taking a position of neutrality in all information being shared (Miles & Huberman, 1994). Care was taken to not indicate any form of judgement in any of the relationships with the participants.

4.12 Limitations

A number of limitations to the study are prevalent, not least due to the explorative, cross-sectional, and inductive approaches applied, but also due to the limited sample and judgemental and snowball sampling techniques, which provide for limited generalisability and validity in a broader population (Saunders & Lewis, 2012, p. 156). The cross-sectional design limits the generalisability and depth of the data. Practices should ideally be studied longitudinally, so as to infer directionality in trends and other detailed analysis.

The nature of qualitative explorative research is that it only provides a limited view and cannot be used to create statistical inferences and generalisations which are required to substantiate theory building, this being the main source of the lack of generalisability of qualitative research (Saunders et al., 2009, p. 327).

Another aspect of qualitative research is that the explorative nature thereof means that no other researcher would be likely to replicate the results due to the contextual setting and the researcher's own cultural and historical background, which leads to bias in the interview process and analysis of the data (Saunders et al., 2009, p. 328). Due to the sample being taken in South Africa, cultural and contextual biases and influences may have been introduced to the study. This was further compounded by the lack of a suitable database for funders or social enterprises means that a definitive population could be established (see 4.3). The possibility of interviewer bias and interviewee response bias, especially in the form of social desirability bias, has already been discussed (see 4.11).

The inexperience of the researcher is likely to have led to a lack of responsiveness in the execution of the interview processes. This would induce a lack of positive sampling – something that would have further impact on future interviews and the data set as a whole (Morse et al., 2002). This inexperience is also likely to translate into a less detailed and nuanced analysis.

CHAPTER 5. Results

5.1 Introduction

This chapter provides for the findings from the research conducted in the field where 16 participants, from various spheres within the social entrepreneurial ecosystem were interviewed on the evolution of opportunities for the creation of social enterprises. Of the 16 participants, 12 were founders of social enterprises or social ventures where a hybrid model was being considered. Four participants represent funders, where two were from corporate foundations, and one from an impact investing firm and one from an impact loan provider. The research questions, having been derived inductively from the literature review and provided for in Chapter 3, were mapped to the interview schedule to ensure consistency. The key findings from the research is presented in this chapter, based on the themes identified in the analysis. Further to this, additional data was derived from the analysis which is presented here.

5.2 Description of participants and context

5.2.1 Introduction

A total of 16 interviews were conducted with funders and founders of social enterprises or social ventures who were currently evaluating a hybrid business model. Through the interviewing process, the development of new codes was tracked, and it was noted that after the ninth interview the development of new codes had sharply declined.

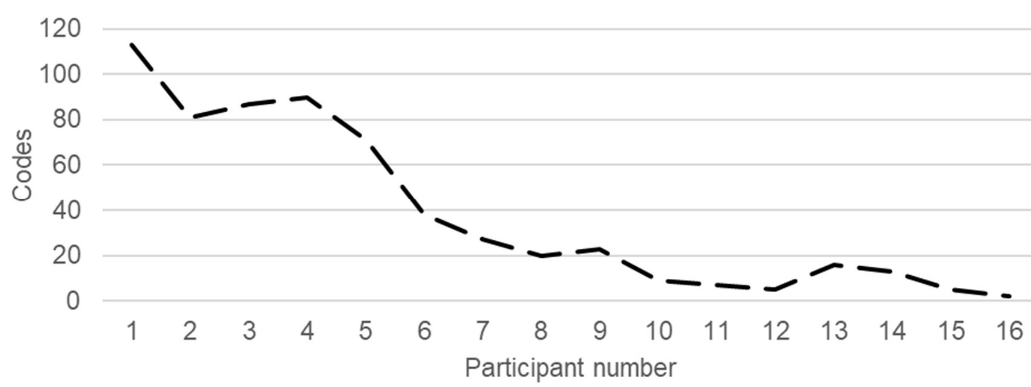

Figure 5: Number of new codes developed throughout the interview process.

A judgmental sampling process, augmented by snowball sampling, was used to provide the sample. The researcher made use of existing networks with academics and professionals in the field to compile a list of experienced social entrepreneurs and funders. A screening process supported by a set of predetermined questions, ensured that potential participants were eligible for the study. The criteria required that the participant had been active in the evaluation of, or in investing in one or more social enterprises. Further to this, the criteria included that the participant had been educated in business studies. Although these criteria were not exclusively applied, preference was given to participants with extensive experience in the evaluation of opportunities and for those with higher education in business studies to control for subject error and participant bias (see 4.4.3).

5.2.2 Description and details of participants

Each of the participants interviewed worked for different organisations. Of the 16 participants, nine were operating social enterprises, three were founders of social not-for-profit originations where a hybrid model was being considered. Four participants represented funders where two were from corporate foundations, one from an impact investing organisation and one from an impact loan provider. The participants' areas of specialisation are varied across a wide spectrum, yet, most are educated in business to varying degrees. Mostly, the entrepreneurs interviewed had lower levels of education than that of the funders. All the funders had more experience with evaluation than that of the social entrepreneurs interviewed. Full details of the participants are provided in Appendix A.

The majority of the interviews were undertaken in the setting of the interviewee's place of work, since this provided the required context for the interviewee to engage personally with the contents of the discussion. However, a total of three telephonic interviews were also conducted, in which the participants were situated at their respective residences. Most of the participants were based in Gauteng with one in the Western Cape and one in the North-West Province. Both these participants were interviewed telephonically.

The research was conducted with an interview schedule that included a set of questions developed to reflect the varied theoretical perspectives extracted from the academic literature. As the literature provided for much uncertainty on the manner in which opportunity evaluation is undertaken, the interview schedule was developed to cover a wide spectrum of potential interviewee responses. Questions were covering a wide array of potential directions to allow for flexibility to be applied in its application, dependent on context. The guide also included opening questions which include the type and number of organisations created or invested in, the participant's years of experience as a social entrepreneur or funder and details on the participant's education. Data on the organisations that were created is indicated in table This data is provided in Appendix A. The interview schedule is provided in Appendix B.

5.2.3 Details of the interviews and transcriptions

Interviews were conducted over a period of approximately eight weeks. The duration of the interviews is on average 61 minutes, with the maximum time being 1 hour, 29 minutes and the shortest 32 minutes. All interviews were recorded on an audio device except those that were conducted telephonically. These interviews were recorded using a cell phone recording application. All the transcriptions were undertaken by a professional transcriber. All transcripts were audited and corrected where necessary. Typically, names of participants and business jargon were the main areas of correction, yet all areas of incoherence were corrected through this process. All identifying information, particularly associated with the organisation, were removed from the transcripts. Transcripts were then loaded into the data analysis tool.

Certain amendments were made to the interview schedule to ensure better data extraction without diverging from the research questions. The schedule was found to be effective in pilot interviews, however, only one question was found to create difficulty with the participants, this being the question surrounding the revenue model, as there is much variability in the industry. The question was reframed to elicit how revenues are applied within the business architecture. Due to the variability in context of the interviews, certain questions were omitted from the interviews and, given the semi-structured nature of the interviews, questions were not necessarily asked in the order of the schedule. This is especially the case where respondents touched on topics in earlier questions where those were earmarked for questioning later in the schedule.

A scheme of coding categories was developed for the coding process which was partially derived from the themes emerging from the literature and partially from direct interpretation of the content being presented (Miles & Huberman, 1994, p. 69).

5.2.4 The development of constructs

Qualitative research calls for thick descriptions which portray the varied perspectives of the participants interviewed (Petty et al., 2012a). Due to the varied nature of the participants' context in social entrepreneurship industry, many codes were developed to describe the varied views on the topics of discussion, although these often overlapped. To provide for the capture of rich data to contribute to the requirement for thick descriptions, a total of 609 codes or constructs were developed for this research which presented a significant amount of data. However, a process of distillation through categorisation enabled the data to be sorted into 76 greater constructs relating to the original data. Constructs emerging from the research were, as far as possible, only coded once per participant where they first emerged and subsequent mention of these constructs was not included in frequency counts. This enabled constructs to be related to particular groups of participants where two macro groups were present, these being funders and social entrepreneurs.

5.2.5 Use of the terms piloting and prototyping

Confusion with participants on the distinction between piloting and prototyping is prevalent in the research. Many of the participants interviewed used the terms interchangeably or referred to prototyping when the process of piloting was being described. In terms of academic meanings of these terms, reference to Chapter 2 is required when interpreting the results.

5.3 Presentation of the results

The research questions, as presented in Chapter 3, were used to guide the structure of this chapter. Constructs emerging from the research were used to further structure the findings per research question. However, due to the interconnectedness of the constructs and research questions, linkages emerged in some cases and references to applicable sections are indicated where they exist.

Participant and quote numbers were used to identify the quotes used in this section using rounded brackets (PX:xx), with the prefix “P” used to identify participants. Within the quotes, use is made of square brackets [ ] to indicate where recorded audio was inaudible, the researcher removed identifying information from the quotes, or where secondary observations such as gestures or expressions were captured. Notable from this is that in all cases the terms [PX founded organisation] or [PX Organisation] are used to provide context and indication of the link between the participant and the organisation being referred to. Where more than one organisation was founded by a participant, an alphabetic or numeric suffix is used to refer to the organisation being discussed.

5.4 Descriptions of conformity in responses

The sample consisted of 12 social entrepreneurs and four funders. Due to the study focussing on the behaviours of social entrepreneurs, particular focus was given to the conformity of responses. Use was made of the terms “most”, “many” and “some” to depict the degree of conformity. Due to contextual factors, all questions in the interview schedule were not answered by all participants. The average number of participants, where the highest degree of conformity was found in responses, is approximately seven. The term “most” was thus used to refer to between six and eight responses conforming to a particular construct. For simplicity, the term “many” was used to refer to more than half of those conforming to “most”, thus ranging from four to five responses. The term “some” referred to a range of two to three, and where a singular response was of interest, it was indicated to originate from a particular participant. In the case of funders, the term “most” refers to three conforming responses. All other conformities are clarified by terms such as “all” and “two of” etc.

5.5 Results: Research question 1

What are the processes applied in opportunity evaluation for the creation of social enterprises?

The purpose of this question was to create an understanding of what processes are used in practice in the evaluation of opportunities for the creation of social enterprises. Processes, varying in nature, are enacted in practice and it emerged that these processes are to some extent linked to the context of the organisation and the social entrepreneur.

5.5.1 Opportunity evaluation in the context of this study

Participants provided details of the context of opportunity evaluation in the study indicating multiple routes to entry to social enterprises along with details of the time-frames involved. Social funders similarly indicated their involvement with social investing as discussed in section 5.5.1.3 and indicated in Figure 6.

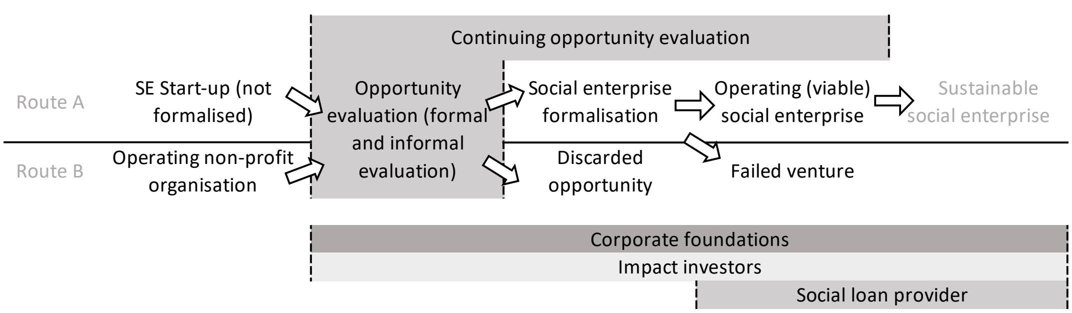

Figure 6: The processes and timelines of opportunity evaluation in this study

5.5.1.1 Routes to entry into hybrid social enterprises

Participants interviewed indicated that the creation of social enterprises was undertaken from varied starting points.

- Three of the participants interviewed were operating non-profit organisations and were contemplating the adoption of hybrid models;
- nine were operating established social enterprises, yet four participants had indicated that their organisations progressed the same route to social enterprises (sometimes with more than one organisation), and
- three had created social enterprises upon entry (social start-ups).

See Appendix A for further detail on the participant routes to entry (evolution of the business model) into hybrid social enterprises.

In all cases where social enterprises were created or were being contemplated, participants indicated that the primary motivation was that of attaining fiscal sustainability (see 5.5.2). The creation of start-up social enterprises was linked to the motivation of the participant interviewed (see 5.5.3).

5.5.1.2 Descriptions of the processes applied in opportunity evaluation

Questions in the interview schedule aimed to understand what processes are applied in the evaluation of opportunities. Areas explored in the questioning included how the evaluation process is approached and why these approaches were applied.

Figure 7: The processes applied in opportunity evaluation for social venture creation in this study

Very few participants indicated that conventional business planning was undertaken to evaluate opportunities for venture creation, and it emerged that this activity was mostly restricted to established organisations where extensions to the existing business model or specific programmes were being contemplated. Only participants 1, 5 and 14 (in the case of P14 organisation 2), indicated that formal planning and design were undertaken, yet varied levels of formal evaluation were evident. In the case of participants 1 and 5, formal evaluation was used for program design.

> *… I invest in consultants. People who come, develop that programme, train my people and I will also within that consultant, I will even hire one or two of them (P5:84).*

Here also, participant 14 (in the case of P14 organisation 2) is the exception, where conventional business planning was used for social enterprise creation evaluation.

> *… wanting to start this coffee shop, worked on a business model with [university X], we worked on everything, even got an impact investor (P14:41).*

For participants contemplating or undertaking hybridisation, most of the participants made use of informal planning methods and business model design. This was reported by participants 9, 10, 12, and 15.

> *And it's not, it's not as formal as saying we need one million rand put away for this because it's going to cost us x. You know, I've been in business long enough to know it's going to cost, kind of sort of … (P9:12).*

> *We kind of worked it out from potential business models and the avenues that we can explore (P15:13).*

The remainder of the participants interviewed indicated that organisations were formalised without any form of detailed evaluation and a continuing process of opportunity search and creation followed. Her needs and steps for establishing the viability of the business model were systematically identified. Participants 4 (P4 organisations A, B, C, D), 5, 8, 14 and 16 (P16 organisation 1) indicated that their social enterprises were created in this way and gradually built up to the current statuses of viable organisations.

> *How I was going to do that, I didn't know. But there were some steps I needed to take. One was I needed to find… I needed to set up an organisation. I needed to find some core funding to begin the process of taking these ideas and developing them. So it was a sort of step-wise where I went and I took a sabbatical and I went to the States for three months. And in that time, I managed to raise some seed funding (P4:31).*

From the perspective of funders, a more formal approach to evaluation was generally reported by participants, however it emerged that the processes employed were subject to the stage of the opportunity or organisational development. As indicated before (see 5.5.1.1), participants representing corporate foundations and impact investors indicated an inclination to be involved with organisations from a very early stage which includes the development of an opportunity. Participant 3, a corporate foundation fund manager, indicated that they would however, not typically be involved beyond a second round of funding (applied in two-year cycles) and the aim is to provide enough capital for the development of the organisations they fund to enable them to become self-reliant. Other foundations, such as represented by participant 6, will continue to fund organisations in the medium and long term. Due to these funders being involved from the onset, typically information is not available on the performance of the organisation, or the business model is not fully developed. The lack of information drives funders to use less formal methodologies and reduced measurement requirements which increase in formalisation as organisations develop.

> *… a lot of times you are guessing, you're going by your intuition and you have to at that stage. Which is why a lot of people don't invest in early stage because high risk, incredibly high risk (P7:43).*

> *Financial modelling would come in more in the second round and then maybe impact amplifier would do that and they do that as much as possible (P3:30).*

Once business models are fully developed, funders seek to employ formal methodologies ranging from financial performance evaluation, impact measurement and full due-diligences as was reported by social financier, participant 13.

> *I mean we have an intuitive understanding of what the impacts are going to be, but we tend to look at impact measurement frameworks and those sorts of things post the deal (P13:31).*

5.5.1.3 The ensuing and duration of opportunity evaluation

Participants indicated that opportunity evaluation was in some cases undertaken before social enterprises were formed, however, most commonly social entrepreneurs created social enterprises before any form of formal or informal evaluation. Viable and sustainable business models are then sought for these organisations (see 5.5.2). These findings were independent of the route to entry into social entrepreneurship (see 5.5.1.1).

Even though the descriptions provided by participants of their organisations indicated that their organisations were viable, it emerged that objective of sustainability remained elusive to most of the participants interviewed and that the process of evaluation was thus ongoing.

> *So is it working on certain metrics? It is. Is it sustainable in terms of…? At the moment we're not sure, you know (P4:71).*

I would say, social entrepreneurship is not a short-term solution, it's really an investment of passion and time and love for being of service. And ja, it's not easy hey, it's a very new field and I'd say the business model hasn't yet been worked out to the point of sustainability (P15:34).

A distinct focus on the timing of entry of funders also emerged. Corporate foundations add value to the industry by providing seed funding to emerging social enterprises with the aim of creating an enabling environment for the development of opportunities. The social impact investor interviewed focus both on early-stage organisations and those with developing business models and early-stage results. The social financier interviewed indicated that the organisation would avoid social enterprises that have not created viable business models, and which would thus not return results which are able to cover the loan terms.

… so because we're a debt fund, it's typically your five Cs of credit. So we look at the capacity and the capability of the entity to repay (P13:30).

Participants also offered information in terms of the duration of evaluation indicating that for some, the process had stretched over several years. The start and end of the process of evaluation was also in all cases not clearly articulated.

I began thinking about [P4 founded organisation C], what was to become [P4 founded organisation C], to the time it actually was registered as an NGO was a period of over ten years (P4:35).

5.5.2 The importance and dimensions of sustainability in social ventures

Most participants indicated that the objective of social enterprise opportunity evaluation was that of reaching sustainability.

I think that's an irrelevant question. I mean, who wants anything not to be sustainable (P1:8)?

Well, if the business is not sustainable there is no business (P2:6).

What I'm thinking about now is how can I ensure, not just that the organisation itself is sustainable, we are sustainable, we have funding year on year that I'm not worried about. You know, the immediate ability to continue is a growing concern at this time (P10:18).

Sustainability emerged as a key consideration in the evaluation of opportunities in social entrepreneurship and it was indicated that it was linked to the motivations for creating the social enterprises (see 5.5.3).

Questions around the factors that comprise sustainability introduced a number of constructs to the research and touched on all areas of the organisational functioning. A strong focus on the construct of financial sustainability emerged. Most participants indicated the importance of revenues to the organisation and that it cannot exist without cash flows.

> *At the end of the day you know, it's not complicated. Money in, money out. If there's no money coming in and there's lots going out, you're going to crash and burn (P4:16).*

> *It's an important part. Because I mean cash flow is king. A business can only last as long as they have cash flow (P2:19).*

Many participants indicated that sustainability was interlinked with grant and donation dependency and that it was moderated by the presence of grants and donations in the revenue model. Respondents from established social enterprises indicated that sustainability of the interventions being enacted cannot be achieved due to the uncertainties surrounding the continuation of grant funding.

> *It's basically when we initiate or start programmes that are social or that are able to address the social upliftment of the communities that we serve, but it's really making sure that beyond even if the project started with donations or sponsorship or funding, but it's to say how do you make sure that without, how do you continue with that project (P8:5)?*

> *With especially donations… I really don't believe in them. Not to say I don't believe in, but it's something that they give you once and then they go, but what about next year, what about the next coming years? What about the other three (P5:9)?*

The requirement for organisations to become financially self-sustaining was also echoed in the interviews with participants from corporate foundations indicating that many of the non-profit organisations they have contact with also indicate that financial sustainability and grant dependency is an emotional issue.

> *… although sustainability is a very interesting debate particularly back to where I said there will always be a welfare space. And a lot of NPOs get quite hot under the collars about that because they say, well how are we supposed to be sustainable when we are reliant on grant funding (P6:34).*

Participants also indicated that sustainability is intertwined with resource constraints and that this impacts on the requirement for organisations to sustain and retain employees.

> *So if you would have asked me today, if we are financially sustainable if we continue as is, but in the long term, we're not at a market, by market standards, sustainable (P10:21).*

This aspect was also indicted to be linked to the creation of social value, with participants indicating that the ability of the organisation to enact pro-social behaviour was dependant on it being able to sustain its operations and its employees.

> *… ultimately success for us is we are making a difference out there and I'm managing to pay my salaries (P4:57).*

Another key factor that emerged from the discussions around sustainability was the importance of the business model in being able to deliver both financial and social value.

> *I think that, as I say, my sense is that entrepreneurship and social entrepreneurship are the same… It's just that I'm happy to take my dividends in social capital. And I see the business model as being a way of sustaining… and I like the idea of doing good and doing well (P4:13).*

Although financial sustainability, the sustainability of resources and the creation of social value are embedded in the business model, other important factors which contribute to the creation of value were also mentioned. Here many participants highlighted the importance of relevancy and accessibility as key determining factors for sustainable social value creation. Dimensions of relevancy included aspects such as the context and timing of interventions and that they should address root causes of the problems being targeted.

> *Ok, so, if the latest trend, right now in South Africa, there's been huge flooding, and there's a need for an intervention, but it's not just handing out blankets or whatever, an intervention to come up with an opportunity for the development of a solid housing structure or something (P1:103).*

> *… there's going to be a squeeze on a mass population because of this food system which is so heavily aligned with large scale conventional agriculture that's got no space for small holder and emerging farmers (P15:11).*

Dimensions offered by many participants on the aspect of accessibility included the geographical location and the business hours of operations as well as the way in which the organisation interacts with its beneficiaries where especially access to technology was highlighted as typical constraint. Additionally, where value creation is delivered to beneficiaries through paid services, the affordability of the products or services are of critical concern.

So you can have the best content, but it's delivered in a classroom only on Saturday and then you find that you miss 50% of people who would have engaged with the content but Saturdays don't work for them (P2:24).

5.5.3 The motivations of social entrepreneurs

Participants were probed on the motivations behind their pursuing social entrepreneurship and it emerged that motivations are embedded in the context of social entrepreneurship itself. Participants offered diverse reasons for being involved in social entrepreneurship and eight of the participants who are social entrepreneurs indicated that one of the key dimensions is a passion for the industry and that it energises them to be engaged in it.

I didn't even know the word passion, trust me, so I realise that's what I love, you know. So I just done it and then every time I do it I get fulfilled and then I wake up at 3 am and even today. When I do something that has to do with social entrepreneurship, I become, I don't know where I get the energy. I got other businesses but trust me, the energy I put into this, this social business, it's amazing (P5:5).

Other dimensions offered included that they were born with the motivation for being involved in the industry, that they strive for a better future for all, seek to create long term benefits for society, or simply like doing good while doing well. Here again the dimension of sustainability was implied with participants in social enterprises and impact investing both echoing the sentiment that their economic and ecological futures were intertwined with those they seek to impact and that their own futures and future generations relied on it.

So if the majority of the people in the country aren't progressing economically, at some point it's going to catch up with me and offset my ability to progress economically (P2:11).

And for me it's literally, if you're not as a business considering how you can be more sustainable, socially and environmentally, you're a dinosaur (P7:27).

… coffee businesses are a great marriage between doing well and doing good business in something I love, which is coffee and impact significantly small-scale farmers so social entrepreneurship gives me the ability to do both of those things. (P16:1).

Participants were also probed on the nature of emotionality in the decision to be active in the industry and engage in the creation of social enterprises. Seven of the social entrepreneurs indicated that empathy and giving hope to beneficiaries was a key factor. Participants also largely agreed on being emotionally driven by their association with the problems being addressed and, in these cases, many participants typically indicated that their journeys to social entrepreneurship were many a time from the very same context which they are addressing.

> *Take them to rehabs nearby because of… because based on my history, I knew that you know what, I was also a drug addict. So I knew that once they get into this life, the end is not nice, you know (P5:1).*

> *And be part of that changing landscape allows me to be an activist in a way, but I didn't just want to create a platform where I am just commenting but I wanted to create a platform where we can, or society can engage fully with the chosen subject (P11:11).*

One of the unifying motivations identified through the research was that the creation of a social enterprise was linked to the realisation of the vision and that the vision was linked to the impacts the social entrepreneur was aiming to create. Some social entrepreneurs indicated that this is the reason for continuous monitoring, as it maps the progress towards realising the vision and provides direction where problems arise.

> *Well, you've got to have an end in mind. You've got to have a vision and you've got to be able to work towards that, otherwise what's the point of doing something just a stagnant approach. So you've got to look at forecast, you've got to predict where you're going in the next three, five, seven years in terms of any project (P1:22).*

Funders indicated that, at times, social entrepreneurs can be over invested in addressing social needs and problems and act from a perspective of desperation. Participants indicated that social entrepreneurs acting in this manner are ineffective due to them taking shortcuts.

> *I too often see social entrepreneurs trying to evaluate an opportunity, in other words a business that they actually want to go into, or something along those lines, from a point of desperation. In other words, they don't have enough resources themselves, either the financial resources or the emotional resources or the in-kind resources, it doesn't actually matter (P13:2).*

5.5.4 Agility and adaptability in searching for sustainable business models

The agility and adaptability of social entrepreneurs emerged as a strongly supported construct in the research and was linked to questions surrounding the sustainability of the organisation. Participants indicated that social enterprises need to be agile and adaptable in the context of social entrepreneurship due to resource constraints and the requirement to ensure sustainability. Participants indicated that various sources of income and variable strategies to effect the vision needs to be considered to mitigate risks associated with the variability of external circumstances.

> *Obviously, income generation, replication, relevance, being able to adapt to external circumstances, flexibility, and definitely different streams of income generation. I don't think… I think the days of somebody doing just one thing in terms of growth, don't think works very well. I think partnerships and leveraging multiple stakeholder engagement is the only way you can achieve those sort of impacts (P1:14).*

> *We need to be able to adapt and unfortunately it's not, it's quite difficult to get there (P15:24).*

Tied in with the constructs of agility and adaptability is the social entrepreneur's willingness to be wrong and learn from experiences and others. Participants indicted that experiences can be both positive and negative and that employees and other stakeholders may be sources of learning.

> *People challenge you and things don't work out, that's fine. You got to fix it up and I only ever surround myself with people far more intelligent than me, so I welcome it. I do, it's my policy (P1:100).*

> *I think, ja, the vision, the risk, obviously the risk with good and the bad that has happened, and ja, willingness to learn. I think that has been my approach. We have hit walls and we learned to trust people and it's thrown back in your face, but ja (P8:23).*

Most participants indicated that ultimately, agility and adaptability impact on the outputs and intended social impacts of the organisation, yet that this aspect will not necessarily impact on the organisation's vision. Areas of influence included requirements from funders and partners and resource constraints.

> *… I never say no… I believe that everything is possible. So, when someone comes say they want this, I say, no it's fine, we do this (P5:95).*

> *Don't go into the year with that same programme in mind if your finances are not telling you today that you're going to achieve that. We'll remodel as you know. So I kind of see it as a more nimble space that can adjust and adapt as it goes (P6:15).*

Some participants also highlighted the importance of organisational awareness of the external environment to ensure that the organisation is able to garner the required information to enable it to make informed decisions on which steps to take. This is indicative of the use of bricolage logic. It was also indicated that these kinds of considerations result in trade-offs in abandoning strategy, mission and even vision.

> *And then contextual awareness. What is changing? Because sometimes the mission you start off on is going to be impacted by outside influences and how do you react to that? Do you just carry on with the same tact or do you adapt (P6:18)?*

Most social entrepreneurs indicated that the ability to be agile and adaptable is what makes it possible for them to operate in the social entrepreneurship context. One participant indicated that one of the dimensions of agility and adaptability is legislative freedom and that room to move within legislative frameworks and within environmental conditions is what enables them to be productive. An experienced entrepreneur, this participant made reference to working around rules and through the response it is indicated that the participant was pointing to an effectuation approach (Servantie & Hlady Rispal, 2018).

> *Leave us alone, because the more you legislate, and the more you try and understand it, and the more you try and put it in a box, the less we can duck and dive and operate. And if you're looking at entrepreneurs, that's what we do best, is we manipulate what we need and if this thing is legislated, this thing that we don't know what it is, is legislated, you're going to clip our wings and it will never develop into what it potentially can be (P9:60).*

Similarly participant 16, indicated gains and loss emerging from experimentation also indicative of effectuation logic.

> *Cape Town business and a lay there started building it from her garage there as well and we opened up a roastery in Cape Town and that's been a, that's been good and bad (P16:42).*

Participant 6, a funder, also offered perspectives on how the construct of agility and adaptability is to be approached in social entrepreneurship, indicating that the organisation should have a clear strategy that is supported by a clear, but not necessarily finite, vision and mission as well as governance procedures that are directed by leadership. It was indicated that organisations should be able to adapt to circumstances and the context in which they operate, and that agility and adaptability are antecedents for effectiveness and is linked to sustainability.

> *Clear strategy, but not finite, not completely done and dusted so clear strategy, the ability to react to environmental changes and pressures and context. Completely great governance. Very, like no flexibility around values, around, you know, so ending, clarity of roles and responsibility like any form of advisory board, or governance board, governance, leadership management play a very key role. And then contextual awareness. What is changing? Because sometimes the mission you start off on is going to be impacted by outside influences and how do you react to that? Do you just carry on with the same tact or do you adapt (P6:18)?*

5.5.5 Conclusion of research question 1

Form the responses to this question it emerged that social entrepreneurs do not follow a linear process of opportunity evaluation and creation. Rather, social entrepreneurs get involved with the industry due to a drive to make an impact on society which sets the evaluation process in motion, more typically with the creation of the organisation. The motivations of the entrepreneur become the vision for society and all efforts are centred on making the vision reality. Social entrepreneurs embark on a process of enabling the financial sustainability of the organisation using bricolage and effectuation to create opportunities that build the organisation towards this goal. This may include a process of hybridisation, or sustainable revenue seeking. The processes of effectuation and bricolage require the entrepreneur to be agile and adaptable in all aspects of the organisation's evolution, however, the vision and mission of the organisation is to be broadly defined to ensure the social objectives of the organisation are met.

5.6 Results: Research question 2

What is the context of opportunity evaluation for the creation of social enterprises?

The purpose of this question was to understand what the contextual factors are that drive processes and the influence of stakeholders in the process and on decisions towards evaluation and the creation of, or investment in social enterprises.

The context within which evaluation of opportunities takes place emerged as a strong theme in participant responses and were unable to discuss the topic of opportunity evaluation without reflecting on the context in which it was taking place and the constraints and enabling circumstances in which it was being undertaken as well as offering reflection on the impacts of stakeholders. This section describes participant responses in terms of the context of social entrepreneurial opportunity evaluation, and provides a back-drop against which the remainder of the research findings are to be interpreted.

5.6.1 Enabling and constraining factors in social entrepreneurship

Participants offered several mediating and moderating factors that were of consideration in the context of social entrepreneurship opportunity evaluation and these factors are discussed in this section as they emerged from the research.

5.6.1.1 External constraining factors in social entrepreneurship

Participants provided detail on the environment in which social entrepreneurship is enacted and highlighted factors including social and institutional barriers as a factor for consideration in the evaluation phase. Many participants indicated that geographical, political and affiliative gatekeepers are prevalent in the South African business environment that seek rents and favours for entry into business arenas or even university programmes. Also, the prevalence of fraudulent activity was mentioned.

> *And I think that's where the problem is, because now there's a finding thing involved. Almost like it looks like there's a group of people that deserve it more than the other (P14:66).*

> *Last year I we got a whole container of sand […] because something went wrong in the system (P16:4).*

Government policy was also mentioned to restrict the freedom with which participants are able to create alternative economic structures. Here also the influence of big-business and the protection of interests in keeping existing institutions were mentioned by participant 15 as barriers to entry.

> *There are also a number of shady policies which are being looked at by government, specifically regarding to our seed. So it's a plant breeder's right and the seed producers act is under review that was originally […] in 1936 (P15:22).*

Also mentioned were socio-cultural impacts, such as the requirement for women to be family-oriented, impacting on their ability to stay engaged in programmes directed at empowering them. Further socio-cultural impacts were noted in the way parents influence their children to engage with programmes.

> *So even if kids are interested and taking seriously, parents discourage them because they feel like this is an extramural activity, but this distracts them from the main focus (P2:71).*

Constraints were also noted in the adoption of technology where certain beneficiaries do not have access to smart phones, meaning content cannot be delivered to them using this technology. Similarly, cultural barriers were noted where, especially older beneficiaries refuse to use certain technology, even when offered it for free.

> *[Program beneficiary] who's been here for a year now, she doesn't want to learn about the computer. It scares the living daylights out of her (P12:42).*

In some cases, participants indicated that they were able to change their business models and funding channels in order to circumvent the barriers that they had encountered and enable the interventions they seek to create. Participant 15 indicated that a strategy was also put in place to allow for the eventual adoption of the intervention by the same institution which is currently obstructing their interventions.

> *But we are making some solid progress with independent partners, international donor funders which we are hoping to bypass government with and basically present the solution once we have our own funding channels and have it handed to them on a silver platter, so they can look good at the end of the day (P15:25).*

5.6.1.2 Internal constraining factors in social entrepreneurship

In terms of internal constraining factors, participants indicated that internal constraints, sometimes overlapping with those described in the section on external constraining factors (see 5.6.1.1), are prevalent in social entrepreneurship and pertinent to the evaluation of opportunities. First and foremost, most participants indicated that resource constraints are prevalent.

> *We get very little funding. It's all from profits generated from different enterprises from within the system that goes towards salaries and paying overheads. But there's no assets and such (P1:42).*

Constraints on resources also impact on opportunity evaluation by the way in which funding is selected and business models are approached. One participant indicated that the route by which it was to be funded was changed to lighten the administrative burden, and with that the required resources.

> *So what we didn't want to do was to get directly funded from [funding bank], also because we're running another project. So we wanted less administration work, so we said, what is this, [social organisation] you do all the administrative work, [social organisation] pays you, and we benefit from that (P14:28).*

Further to this, spending power is affected which impacts on the ability of the organisation to provide for marketing of its operations.

… we never had, we didn't have banners, we didn't have marketing materials. You know, that's where… Small things, those nitty gritty things (P5:67).

Resource constraints were also reported to impact on the ability of the organisation to attract loan funding, where loan capital providers demand collateral and much of the time the organisation does not have any assets to offer.

And when, when I got the right investment, its terms and conditions when I saw… I wasn't happy with the terms and conditions. Why, I would need to have collateral of that's worth two million. Where do I get that collateral (P14:41)?

It was also pointed out by most funders that there is a lack of capability of using effective business language and education in an environment which is often funded by corporations and operated in by people with no business education. Added to this, a funder indicated that social entrepreneurs require ambidextrous skillsets to enable them to flourish in the industry which is often divided between social and business goals.

I think you need a new kind of professional in this space… To be able to understand both sides of that fence. It's a very unique skillset … it requires the savvy of the business language (P3:47).

Well, often the innovator is a scientist, you know, or a doctor or… And they're trying to start a business and it's a big challenge because you've got two very different skillsets. And because they're so early stage they can't afford to employ someone else so they have to figure out both (P3:22).

Some organisations have, however, been able to moderate the constraining factor of resource constraints by self-sacrifice. Some participants indicated that they often do not take salaries themselves whilst providing the energic input to sustain the organisation and its employees. Some participants also indicated that they provide funding from their own reserves and that employees also make sacrifices to keep the organisation afloat.

I mean we're a very small business, sub funded from my own pocket (P14:54).

… the truth of the matter is that the true cost of doing this work comes at the cost of my underpaid time and the underpaid time of some of my employees (P10:20). I've done so in terms of taking a cut in my own salary. So in order to keep us alive I've often taken a cut (P4:19).

Perspectives garnered from funders in terms of internal constraints impacting on the evaluation of social enterprises include the fact that often entrepreneurs are not educated in business or that they act out of desperation and without sufficient resources which includes financial, effectual, emotional and in-kind resources (see 5.5.3).

So if you want to create a sustainable business, relationships are the most important things ever. But more than anything and I always tell everyone who says, ah you don't need education to, I'm like, ah, that's a lie. You do need a proper, decent education, business administration education. It's ok if you have that initial talent to sell, but at the end of the day, its sustainability may depend on how you run it (P14:37).

5.6.1.3 External enabling factors in social entrepreneurship

Participants indicated that several enabling factors exist within the industry which impacts positively on the organisation and which are to be considered in the evaluation of opportunities. Firstly, the multiple sources of funding that is available was mentioned by all and indications of the South African sector being pervaded with corporate funders needing to comply with tax legislation, employment equity, black economic empowerment (BEE) and enterprise development legislation were prevalent. Added to this, indications were also common of corporations seeking to feel better about their business activities by offsetting the perceived social cost of their operations by investing in social business.

Business are looking to feel better about themselves. It's a positive image thing. … and there's BEE score card lens and there's a whole lot of politics and legislation involved. What I am finding is that business is looking for those stories now (P6:40-41).

I mean, in this country they're funding model is so shrewd, you know. It's literally about, ok, let me do this to correct my tax, to lessen my tax burden. It's all about that, it's never about what impact arises (P11:65).

Corporations are willing to support fledgling or struggling social enterprises and provide not only entry, but also exit funding. Further to this, mentoring and creating an enabling environment for innovation is provided for by corporations in the sector. Similarly, impact investors provide support in terms of the development of business models, products and services and do so through innovation hubs where design thinking methodologies are applied to business problems, also augmented with mentoring and support. Similar services are provided by impact amplifiers. Social entrepreneurs that participate in these activities also enjoy direct exposure and interest from impact investors and thus have access to funding, should it be required.

So we, we try to do step investments, one. Two, is for a lot the stuff in impact we try and put them in this space where we have, you know, interaction on a daily basis and programmatic support if they need it (P7:43).

Similarly, social innovation funding is available that bridges the gap between seed funding and impact investing.

The reason why I set that fund up is because what we realised is first the funding we give them, there is no other money available. And there's a huge gap in this country between, when someone like a philanthropic investor will get involved and an impact investor and in between there is this huge big chasm of no-one (P3:16).

Social loan capital providers are also present in the industry and provide competitive rates to social enterprises, however, these organisations require the reporting of both social and financial performance.

Ja, so, I mean as a fund we target CPI plus 3. Which means that we can negotiate a level of interest from prime to prime plus 1, to depending what else is in the portfolio and what else is, you know, is there (P13:50).

Many participants indicated that effective collaborative relationships can at times be created with funders in which there is alignment in the goals of the organisations involved.

Other funders will invest because they believe in what we are doing, other funders will invest because they see themselves as part of the shared value system and they can see where the alignment lies within their own strategic intent (P1:19).

Other external enabling factors that were mentioned by most participants include the value of partnerships and the enabling relationships that are formed by partnering. Here the sharing of costs and the extension of organisational capability and the resultant amplification of value were pertinent. 11 of the participants from social enterprises and funders alike, agreed that partnerships are valuable and have been used effectively to increase organisational capabilities by either adding to the value system or by the transfer of knowledge.

I pay no rent, no water and electricity (P14:40).

We collaborate with musicians, with actors, with visual artists, with film makers, because for us it's about creating an aesthetic that speaks to various artistic forms (P11:20).

So we have also a lot of partnerships. So we partner with [Literacy] project which is based in [local neighbourhood]. We partner with [Local] counselling services. So we partner also with other organisations. This year the partnerships are predominantly with migrant organisations, both [local neighbourhood] and here in [neighbourhood]. They've come and we're partnering with them to kind of offer skills (P12:37).

I need advice or anything, so this is the group that I always… I don't see them as my board of advisors, but I see them as angel friends (P14:68).

Partners were also indicated to have knowledge of communities and their needs and provide for a network from which opportunities may arise.

With them they might have more knowledge about the community and things that might not be working right (P1:107).

5.6.1.4 Internal enabling factors in social entrepreneurship

Enabling factors that originate from within the organisation were indicated by participants to be key to positively impacting on organisational success. Here too, certain factors can overlap with internal constraining factors dependant on the development of these capabilities within the organisation (see 5.6.1.2). Most participants from social enterprises and funders agreed that leadership is a key internal enabling factor when the capabilities of effectiveness, resilience, discipline and the taking of initiative was strongly developed.

So the thing that we're looking for, you know, it's similar to any sort of VC [venture capitalist] or anyone general entrepreneurship would look for I think, you need to have people that are self-starters, that are self-motivated, that aren't afraid of cold calling, that aren't afraid to go out there and get stuff, that are determined, that have resilience, that kind of thing (P7:38).

I'd say tenacity, that's a big one, consistency, and efficient time management, I would say would be the three key areas (P15:38).

Most participants indicated that entrepreneurial drive and orientation are key to enabling the creation of ventures and three of the participants agreed that there is little distinction between social entrepreneurship and commercial entrepreneurship and that the skillsets required to enable a sustainable business are entrepreneurial in nature.

I feel, I do feel it's that there was always a bit of a misnomer about creating social entrepreneurship as a separate field. Because I think at the end of the day, what *is common is entrepreneurship, is there's an entrepreneurial mind set, there's a way in which as an entrepreneur you assess risk in a normal company (P4:10).*

Another important factor in leadership, with seven of the participants, all social entrepreneurs, agreeing that belief in the vision of leadership and the mission of the organisation are key to engaging with employees, members and other stakeholders to bring them along with the organisation and support it throughout its journey. This aspect was reported to enable the organisation to mobilise resources which includes the attracting of funders, employees and the community to the cause, thus also enabling the organisation's vision and mission.

So you know, I think one of the things that I have managed to do was to inspire others to believe in what we're doing (P4:48).

Because if we didn't have that vision… if I had that vision and I didn't share it with the team, then it was going to be difficult for them to buy in (P8:14).

This belief in the vision was also indicated to become a shared vison in the organisation which empowers resources and provides a sense of stewardship. It further creates cohesiveness in the organisation and feelings of pleasantness.

I'm about inspiring people with vision A and B is empowering them and not being, you know, o gorgeous leader, is the sense that this is not just my vision, this is our vision (P4:52).

Participants indicated that typically the leadership and organisational vision was born out of contextual influences and embeddedness and are strongly linked with the motivation for engaging in social entrepreneurship (see 5.5.3). Leadership also provides the necessary impetus for the enabling of the organisational activities by investing energy and resources that are critical to sustain the organisation. These inputs are often also contributed to by the organisation's resources.

So we have again built this name for ourselves as a lean and agile scalable model and the truth of the matter is that the true cost of doing this work comes at the cost of my underpaid time and the underpaid time of some of my employees (P10:20).

Other areas highlighted includes the leadership and the entrepreneur's experience in social entrepreneurship which are mediating and enabling factors in social entrepreneurship and venture opportunity evaluation and creation.

So I couldn't have started [P4 founded organisation A] if I wasn't a doctor and my medical background gave me the credibility to start a medically based drama. I *couldn't have started [P4 founded organisation C] if I didn't have the experience of [P4 founded organisation A]. I couldn't have started [P4 founded organisation D] if I didn't have the experience of [P4 founded organisation C]. And so on. (P4:34).*

5.6.2 The context of stakeholders in opportunity evaluation

Most participants from social enterprises indicated that the inclusion of multiple stakeholders in the evaluation process is a prerequisite for attaining meaningful impact and that, for some organisations, much energy is expended in ensuring as many stakeholders are involved with any intervention as possible. Social entrepreneurs cited that sustainability is directly linked to stakeholder involvement and participation.

I think partnerships and leveraging multiple stakeholder engagement is the only way you can achieve those sort of impacts (P1:27).

… and we've got 14 corporates, and 11 government departments and 7 NGOs working with us in this ecosystem (P1:36).

Stakeholder involvement presupposes that communication is taking place between the organisation and the stakeholders involved and it emerged from the research that much can be achieved through entering into dialogue and that through this process, new, mutually understanding and beneficial relationships can be formed.

And we thought they were going to be resentful going to them, but it was just the pushing of the community, obviously […] who had their own agenda. But us going there and managing their frustrations that they had actually worked to our advantage that after the meeting finally could say, no we understand why this needs to be (P8:49).

5.6.2.1 Beneficiary and community influences

Most of the social entrepreneurs indicated that the beneficiaries are their key influencing stakeholders and that the nature of the relationships with beneficiaries is of key importance as the relationships are linked to the reasons for entering into social entrepreneurship (see 5.5.3). Participants further indicated that that beneficiaries influence the evaluation of opportunities in that they affect the impact value chain through the impacts being sought, in turn, directing the outputs of the organisation.

I would say really like listening to the challenges and really where they are, what they need, who they need to be supported by, what levels of support we can *mobilise, funding required, the scalable aspect of programmes, you know, it's really been the core of where we're at now (P15:28).*

Many participants from social ventures and funders agreed that engagement with beneficiaries and the effected community means that a participatory process is initiated which provides a sense of stewardship of the project, however, that the process also complicates the evaluation process.

Because it's shared. It's not imposed. It's much more real, it's not paper based and abstract. It's much more… it's much more difficult, you know, in many respects, but it's much more rewarding for true outcome and true impact. … Yes, it's like stewardship. I am an equal investor. (P6:64).

And by… you can eliminate a lot of uncertainty by knowing that you're going into a community where you know there's buy in, and there's a collective vision (P1:74).

Many participants from social enterprises also indicated that they source ideas from the community through a number of innovative means. The community and the beneficiaries are often a source of innovation that contributes to sustainability with indications that innovation is accessed through reciprocity.

… this thing that I'm doing now of having an innovation… we call it an innovation hub, even this… And then they come every day with those, they bring those ideas to the table and then we listen to all those ideas and then we choose one. And the winner, the one that wins, we set up an NGO for them (P5:34).

Participant 13, a funder, indicated that social entrepreneurs have the potential to cause damage through their interventions by acting irresponsibly, highlighting the importance of these stakeholders to the social entrepreneurship industry and that actors need to act responsibly to these stakeholders.

If you haven't thought through the business model properly, you actually land up letting those people and communities down, badly. And that is just, that's irresponsible and that's not what a social entrepreneur should ever be. It's irresponsible to the people and to the communities that you ultimately are accountable to if you're serious about mission (P13:11).

5.6.3 The context of funding in social enterprises

Social entrepreneurs indicated that funders are potentially valuable partners in social value creation and that through funders, potentially new opportunities or opportunities for the scaling of impacts are unlocked that contribute to the sustainability of the organisation.

5.6.3.1 Seeking funding

Discussions with participants highlighted several factors that are to be considered when seeking funding and which can impact on the evaluation of opportunities. All funders indicated the importance of organisational performance, both from a social and financial perspective in the evaluation of investment opportunities. Here the ability to report on these key performance indicators was indicated as a precursor for actual performance in these areas.

> *Impact does come into that to an extent to say, we, in the due-diligence, we will look at what they reporting capabilities are. But we're looking at it not in isolation of the finance for example. If they can't report to us on the… on their quarterly management accounts, they're not going to report to us on impact (P13:35).*

In the absence of performance data, as may be the case with early-stage organisations, funders indicate that they look for indicators in the business model and the strength of the theory of change to predict whether the business would be a success.

> *… we obviously look at the business model, we want to understand from them what they think their theory of change actually is (P13:32).*

One of the participants from a funding organisation also highlighted the complexities of social performance measurement and that, typically, funders seek returns in monetised terms. Since social performance is not easily monetised, this factor impacts on the ability of social enterprises to provide a true measure of their value to the investment industry.

> *But one of the really difficult things, it's the major issue, is how do you monetise it? How do you monetise something that is social, obviously it's going to solve a problem, but who's going to pay for it? That's the biggest challenge. And that's you know, in some cases, in most cases, that's a really difficult question for a social entrepreneur to answer in the early stages. That's quite difficult to tell (P3:26).*

This outcome was echoed by a social entrepreneur who indicated that investors have a limited understanding of the value that is created in social ventures and are fixated on financial returns due to their familiarity with the indicators.

> *You know, when people are looking at investing in a company, they don't look at, you know, how good people felt. They're not used to that stuff. They want to know, you know, what was the cash flow like, what's the value sheet like. They know*

that stuff so they're not making a jump into the social sector saying, okay, we understand that but we're also going to assign a value to these other things (P4:65).

Linked to this pervious outcome, some participants from social ventures indicated a desire to be able to measure their impacts and performance for them to be able to tell stories of their successes as a social venture to enable them to attract more funding. However, resource constraints impact on their ability to measure social performance and provide compelling stories that may be used to attract funding.

I know, we are not able to capture content that forms part of our data in terms of user qualitative interviews, you know. Feedback, following in intervention, you know, we get either in writing or in person. To be able to capture that and harness it to tell that more provocative story of how, what we're trying to do is quite innovative. It's something that we just… it's again, it's a capacity issue (P10:12).

Some participants from social ventures also indicated that they articulate their vision and mission when engaging with potential funders as a means to attract funding in the absence of actual performance data. Also, use is made of secondary data where similar interventions were initiated to support the argument for the organisation's theory of change. This was particularly the case where participants were in the nascent phase of the organisation's development and it was indicated that the founder's reputation becomes a strong enabling vehicle for attracting seed funding.

Well, our narrative is very strongly linked to the green economy and sustainable development goals and obviously when we look at agriculture on a global level and how that's contributing to climate change … and when we look towards other movements globally such as India or South America where they've emancipated a large portion of their population through well-coordinated, well-structured agriculture and that is what we're aiming to do in South Africa and Southern Africa (P15:20).

5.6.3.2 Grant funders

Grant funding may be obtained from a variety of sources and the availability of grant funding in the sector provides an enabling stepping stone for many organisations (see 5.6.1.3). Government arose as a funder of many of the participants interviewed, however, the requirements surrounding funding from government was indicated as being burdensome and requiring time and energy from the social entrepreneur to initiate and manage. This was also indicated to impact on evaluation of opportunities as the timeframe for funding availability cannot be accurately determined.

And then, but with government you must report, and we do financial auditor's statements to see how our finances work (P5:82).

… and so if government is… you're aiming for government as client it takes a long time to get in there and that's why viability is hard to determine in those early stages (P3:53).

5.6.3.3 The investment attractiveness of social enterprises

Participants, all from funding organisations, indicated that certain factors contribute to the attractiveness of originations to invest in or fund. Constructs offered included the requirement for business fundamentals to be in place, where these include the ability for the business model to generate sustainable revenues based on the marketability of the products and services it offers.

I don't see social enterprises fundamentally different from any enterprise in that sense, for evaluating opportunity. … And so, for me I think that if I was evaluating a normal business, I would look at all the typical stuff around whether it can make money, whether there's a market for it and things like that (P7:1).

For loan capital providers, the five Cs of credit (character, capacity, capital, collateral and conditions) become fundamental criteria by which an organisation is evaluated as being investment ready.

We look at all the business fundamentals in terms of that particular entity, so because we're a debt fund, it's typically your five Cs of credit. So we look at the capacity and the capability of the entity to repay the character all of those, we literally go through to understand where our risks are going to sit, whether this entity is actually a properly run organisation that we're comfortable with presenting to our credit committee (P13:30).

In the nascent phase of the organisation, however, some business fundamentals will not be determinable and funders that are invested in this phase of the organisation's existence rely on the progress that is made in the organisation in terms of establishing the fundamentals.

Then what we do is we watch them over a period of two years and if people are really successful and then starting to do something, then we reinvest (P3:8).

5.6.4 Conclusion of research question 2

In this question the context in which opportunity evaluation is undertaken was discussed as it emerged from the research. It was found that various dimensions of internal and external constraining and enabling factors are prevalent in social entrepreneurship which are of key importance in opportunity evaluation and creation. Further to this, multiple stakeholders emerge to be included from an early stage in the process of opportunity evaluation and creation with the beneficiaries of the organisation being a key focus area. Finally, the research indicated key areas where the context of funding of social enterprises impact on the opportunity evaluation and creation processes.

5.7 Results: Research question 3

How do social entrepreneurs mitigate risks in the opportunity evaluation stage of social enterprise creation?

This question sought to create understanding of how the critical problem of risks associated with uncertainty in opportunity evaluation is approached in the social entrepreneurial context. During the evaluation phase, information about the viability of the business model, along with its ability to create social value through impacts, is likely to be lacking. From this perspective, strategies that may be employed in mitigating risks to the future sustainability of the organisation is of interest to the study.

5.7.1 Risks considered in opportunity evaluation

When probed on the types of risks social entrepreneurs consider during the evaluation stage, most participants indicated financial risks, yet also pertinent to opportunity evaluation and creation are risks associated with products and product/market fit, impacts, people and risks associated with unforeseen eventualities. Social entrepreneurs indicated that risk assessment in social entrepreneurship was mostly the same as that for commercial entrepreneurship other than for the addition of impact in the assessment. None of the social entrepreneurs indicated that formal processes are used to evaluate risk, yet that rather an intuitive assessment is done based on probabilistic reasoning.

> *Your motivation might be different and what you see as reward might be different, but ultimately in terms of how you assess risk is, you know, in the same way you would in any other eventual company. There is… you know, what is the likelihood of this succeeding? Is there a market? Is there a problem that is going to be solved? Is there going to be a cash flow? Is anybody likely to pay for this service? So I think that, as I say, my sense is that entrepreneurship and social entrepreneurship are the same (P4:11).*

Participants indicated a tendency to not consider risks in the evaluation stage, driven by the motivation of creating the venture and effecting the impacts being considered, and participant 1 specifically indicated that risks that may have existed are mitigated by undertaking self-funded pilots, based on intuitive design, and testing to prove the concept prior to exposing the organisation to the program.

> *My gut feeling is so attuned. I will often do things without consulting anybody else because my gut feeling told me because of the maverick nature of myself and how the organisation is run, but when it comes to projects which are prototype projects is normally, I would go and do them and only then come back with something and only then do we start measuring it. And most of these types of projects I fund myself personally, so I don't put the company at risk and then I come back and I say: right, now we start measuring in this, now we roll this out (P1:53).*

All funders indicated that they mostly encountered financial risks, yet that these were attached to their investments not performing from a social perspective. They further indicated that reputational risks exist in the industry for social enterprises (see 5.7.4). Financial risk is mitigated through formal evaluation processes which include reporting, due-diligences and monitoring and that these processes are also linked to reputation of the foundation and the corporation they represent.

> *… so there is one space where reporting is quite a big thing and there's a whole lot of risk carried by trustees in a foundation like the [P6 Organisation] Foundation. So [Social consultancy] carries all that risk on their behalf. Good decisions, due-diligence, follow-up checks, it's a very bureaucratic environment. Because if there is a slip up we've got to justify the millions that went out there (P6:41).*

During the early stages of organisational development, some funders indicated that there is very little that can be done in terms of managing risk due to the fact that performance data is not available for assessment. This latter point being primarily due to organisations not having an operational base. Tools that are used to assess risks during the early stages include an assessment of the probability of success from a financial and social outputs perspective and that, once operational, use is made of financial indicators and outputs only to assess the progress the organisation is making towards sustainability.

> *From the social impact point of view, it's not so easy to… the information we've got is very qualitative, say 40 billion litres of water, these kinds of things… Ja, so we not only want to see around if the social innovation works but given job*

creation is some of the biggest priorities in South Africa, that's very important to us, and revenue growth. Ja. Over a period of two years. Because they're starting from zero, most of them, it has to be… it tends to be quite interesting what happens in such a short space of time (P3:13).

The aspect of organisational risk was also mentioned by some social entrepreneurs. In terms of products and services, evidence emerged that risks associated with the use of these were being considered and that a form of scenario analysis was being informally undertaken.

Somebody getting an infection because they haven't washed it properly… So I have considered them, I have considered how we combat that (P9:52).

5.7.2 Financial risk mitigation strategies

Through the research it emerged that the forecasting of financial requirements was the most practiced forecasting methodology and was used to mitigate financial risk. Financial forecasting was directly linked to requirements of the organisation to implement activities and for this reason were more easily obtained. During the operational phase, financial management and forecasting was reported to be well practiced and was partly imposed due to reporting requirements (see 5.8.1.3). Organisations that develop programmes for funders are required to provide financial forecasts and management plans. Most of the participants interviewed make use of self-developed methodologies which were indicated to be effective and generally accepted. Upon probing why their methodologies are accepted, participant 1 simply stated:

Because they work (P1:68).

Other than those that were designing programs, where formal processes were applied for forecasting, most of the social entrepreneurs interviewed indicated that the forecasting of finical requirements undertaken during the evaluation stage comprises short-term needs only and this was particularly linked to a piloting approach to organisational forming. Experienced entrepreneurs indicated that financial forecasting is done intuitively, based on previous experience and knowledge of the requirements (see 5.7.2). During the piloting stage, some funders indicated that funding is required to set up the pilot and that estimates are compiled to create the piloting projects. Participant 4, a social entrepreneur, indicated that the lack of detailed planning was linked to the project details not being clear.

Well I had a broad vision was around… which was a big vision. Which was saying, look, there's an opportunity here. This is my experience. I believe that… I don't

> *need $200 million… I need a little money to take this concept further. I don't… I can't give you detail because I don't know the detail yet (P4:33).*

The use of scenario analysis to ascertain probable scenarios and mitigation plans was also evident from the research, however, this practice was implemented by organisation 11 by the board of directors which had commercial management experience. Participant 11 indicated that the strategy helped to formulate the strategic direction required to ensure sustainability of the organisation.

> *No, not at that moment. I think it's only until I think 2015 that we started to really to, because the board, the board said, ok fine. What is the budget for this, and on top of the budget as well is we need to, as you say, like quantify it and because the minute we're saying, ok go ahead with the strategy, what is the potential income, but also the potential losses to this strategy, and how is it likely to be successful and how is it likely to fail. So we had to really think outside the box and that thinking helped me to also identify potential partners, people that we can team up with in terms of us ensuring that we achieve the goals of the strategy (P11:43).*

5.7.3 Impact risk mitigation strategies

Most of the social entrepreneurs entering social enterprises from the outset indicated that risks associated with impacts in the evaluation phase was manged by the forecasting of outputs only. The primary reason for this is that at that stage the theory of change is unproven and subject to revision (see 5.8.3.2). The outputs of the organisation are directly linked to financial requirements and there is thus a link to financial forecasting (see 5.7.2). One of the primary risk mitigation strategies emerging in terms of impacts is the beneficiary needs assessment, which is especially used in the design of programmes (see 5.7.3.1). For the design of products and services (which may or may not be linked to impacts), use is made of user-centric design processes to mitigate risks in terms of product/market fit and the development of a minimum viable product (see 5.8.3.1). Motivations offered for the use of the formal processes was that they are effective and that they provide the organisation with an advantage in the evaluation process.

> *But not the process that we've developed now is not being followed in other countries. Also, our methodology of intervention and of finding out needs and establishing different ventures, is I believe, unique to [Organisation 1], which has taken us about seven years to actually develop (P1:5).*

Formal evaluation and forecasting methodologies are, however, resource-intensive and require time and money to complete which is often not available in the early or operational stages of the organisation's existence (see 5.7.3.1).

The use of social return on investment (SROI) was indicated by funders to be a favoured methodology, primarily due to the fact that measures are monetised, meaning investors are more able to relate with the data being presented. However, the process was indicated to be costly and requiring subjectivity to evaluate the benefits and monetise them, aspects which detract from the value of this methodology in the evaluation stage.

> *So that's quite interesting, because a lot of guys in the UK hates SROI because it's very expensive way of measuring and a lot of a thumb suck. So you have to, they are trying to guess, everything's a guess. … which is really a lot of the time so open to interpretations (P3:20).*

Participant 7 indicated that new, web- and app-based methodologies are available to social entrepreneurs that provide lower cost and reduced time alternatives for beneficiary needs assessments and impact measurement and forecasting. Here the Lean Data and B-Corp models were mentioned. The B-Corp model was praised for its comprehensiveness in providing an assessment of the greater negative and positive impacts (thus effect on the social system; see 5.8.2.4) while the Lean Data model provides for ease of application due to simplicity and its app-based design.

> *I like the B Corp model for that reason because, you know, there is this very multifaceted approach to it, not sure whether it's always the best for small businesses (P7:15).*

Six of the participants from social enterprises indicated that they had developed their own frameworks for measurement which are primarily output based yet evidence of impact measurement, both in terms of direct and indirect was evident. However, both were poorly practiced due to the activity being resource intensive. Despite the value of indirect impacts (see 5.8.2.6), risks to indirect impacts were not considered in the evaluation and this was cited as being due to no frameworks existing for it and that it was mostly qualitative in nature. This was also indicated to be the reason why it was poorly practiced in the industry. As a result, indirect impacts are quantified based on subjectivity and theories of change (see 5.8.2.6).

> *There's some beautiful, ja, it's very… I think the indirect benefits or impact is often quite qualitative and that's what we need. I think there's a vacuum there of collecting that information (P6:35).*

5.7.3.1 Beneficiary needs assessments and participatory design

Most participants from social ventures indicated that the requirement for the assessment of beneficiary needs is key to creating sustainable social value. Although not all social entrepreneurs engaged in this activity, some have developed programmes and procedures that are designed specifically to garner information from communities and beneficiaries on their requirements. Organisation 1 provided the research with secondary data, indicating the nature of these programmes and how they are designed. The processes include activities such as in-field research including observational studies and interviews, as well as focus groups and community forums where targets and communities are engaged, and data extracted for programme design. Participant 1 indicated that the process is linked to the success of its interventions. Participant 15 indicated that an internationally recognised framework for participatory design was implemented. Participants 5 and 8 indicated that similar activities are undertaken although no official procedures exist for these activities. Participant 5 indicated that the process is meant to mitigate personal bias in deciding what the content of programs should be.

> *… giving the community what we think is right, sometimes it doesn't work. So you'd rather hear from them what they really need (P5:30).*

Participant 1 indicated the process also provides a moderating effect on emotionality in social entrepreneurship.

> *So although the emotions exist in the community, it's not our emotionality that dictates where we go. It's where the needs are and where the communities see priorities for investment (P1:40).*

The requirement for beneficiary engagement was echoed by funders who indicated that the process is favoured because it is able to provide real data from which to design interventions, however, it was also indicated that the processes require time to complete.

> *The first step of that has been a participatory process to find out who are their beneficiaries and what's important. So we love participatory approaches, but they take time. The lean data approach is participatory, but it's a lot leaner as I implied. So that's where it is incredibly intensive. Even though it is a great best practice, super intensive. So you kind of have to weigh the pros and cons (P7:21).*

Time restrictions in the process was also echoed by participant 1 (of organisation 1 mentioned before), who also indicated that monetary resources are often not available to complete the processes and to the level that is wished for. Despite this, participant 1 indicated that contact with the community enables the establishment of relationship and trust and a contextual understanding without which the intervention cannot be designed.

> *And I never do it without talking to the community first. So I know what I am doing is relevant to the community, so I'd never go and run a LGBT project in a community that didn't know me. So there's always that binding and that trust and for me in my gut to have met with those people. I'm a person who gathers insight and knowledge by walking into a situation and being myself. For me context is everything (P1:85).*

5.7.3.2 Market/benefactor understanding and market creation as risk mitigation strategy

Most participants from social enterprises indicated that their products and services are sometimes directed at benefactors or the general public or that these groups sometimes overlap. In all cases, it was indicated that the market (including benefactors and the general public to whom products are sold) is inextricably linked to the sustainability of the organisation and that the market is to be developed to mitigate product/market fit risks.

> *Because that's part of the sustainability, that's one of the factors that actually who will make us to be sustainable, for the more we have interest out there and we can continue to scale it, the interest, and to continue to grow the interest, the more we are sustainable (P11:36).*

To develop the market, participant 7 indicated that an understanding of the needs and requirements of the market is to be developed through a feedback mechanism which may be formal or informal focus groups and that design thinking principles may be used to develop this understanding.

> *I think you do need your users, design thinking wise, so you need to understand your market, that's the number one thing. So you need to, if you have an idea, that's the first thing you need to do. You need to go talk to your friends, your family, people around you, your target market in general, create those focus groups, so just have casual conversations with people to test that out. That's number one (P7:51).*

Participant 14 indicated that in the case of organisation P14-2, a market had to be developed, as a product was being developed that was not generally sold to the segment being targeted and that no market for the products existed in the community. The development of the market was, however, imperative as the social change that was being sought was linked to the product and creating a market for the product. Novel ways of developing the market was used which included focus groups and community consultation beforehand, and the use of brand ambassadors and social media during the launch of the organisation.

> *But I think what makes the social enterprise space market creation and demand creation, and that's what we're doing. We create, we are creating a demand. It doesn't exist. We're creating a demand. And day by day we're getting there (P14:59).*

Participant 14 also created value for the market in that a new compelling user experience was created through the value proposition in a community where it didn't previously exist.

> *What I always say to them is, when you get there, don't sell a cup of coffee, sell its value, sell the experience of that cup of coffee. Don't sell a taste, don't sell a product, sell what is associated with that product. And it's… I think it's been working because like, ah if I drink cappuccino, so my status goes a level up. Like ja, this is beer, it goes a little up. So now like, ok, I want to be the cool kid too (P14:78).*

The strength of social media marketing was also echoed by other participants and it was indicated that excitement about the products can be created and capitalised on, once the campaign gathers momentum.

> *And you get over media, the media is your friend if you can be all over the media like a rash and the media loves you, you're in (P9:54).*

Participants from funding institutions indicated that social entrepreneurs do not often understand that the beneficiaries are not always the same as the customers and that market segmentation is not always applied.

> *And that's… then understanding who the market… with the social enterprise often the person who the product is targeting is not the person who's going to pay for it. How they understood that (P3:23).*

It was also highlighted that market segments differ and that varied approaches are required to target specific segments and that the organisation has to be able to be understood by the segment being targeted.

> *So when we are looking at different opportunities, in terms of spaces in order for us to also speak to different audiences. And to collaborate all the time, sometimes with entities that may not be from the art side, when you look at It, when you are thinking about it, they may not gel (P11:23).*

Participant 2 indicated that products were rolled out to beneficiaries in a piloting approach and that negative feedback was received on the products. The effect of the failure of the intervention was that the participant felt frustrated and was having difficulties in finding solutions to the feedback given, highlighting the importance of market knowledge.

> *What they did also say was that with the questions, it felt that the quiz felt very school like, so it didn't feel like a game. It felt like homework and that wasn't very exciting. … I thought it was very entrepreneurial, but I've been trying to do this thing, but I just can't get it right. So, it had the opposite effect of what we were trying to do which is create more successes to build people's confidence (P2:31).*

Added to this point is an understanding for the open market and that products and services offered by large corporates are often sold at lower cost due to economies of scale which social enterprises cannot compete against. This highlights the requirement for bespoke, niche products and services that are to be developed to fill a specific market demand or those that do not exist in the market at the price being offered. One way offered by participants to effect this was to leverage that products or services are being produced in a social entrepreneurial environment.

> *You cannot compete with [mass retail] stores and I said the only way to turn that around is to make your project or product unique and the only way to do a unique approach to work is to tell your own story (P12:3).*

5.7.3.3 Risks associated with human resources in social value creation

Most participants from social ventures indicated that human resources are key to the creation of social value as they are the instruments through which the interventions as well as the products and services are enacted.

> *That's how our beneficiaries get to engage with our product, consume our product with a person in the classroom, the facilitator (P2:57).*

> *They are to the organisation. That is one thing that is always in my mind. Though it's a very challenging process because of the space that we are in (P8:57).*

Further to the previous point, most participants indicated that employees are often the vessel that contains the organisation's capabilities and history. It was also indicated that employees sometimes become a source of innovation within the organisation.

> *People challenge you and things don't work out, that's fine. You got to fix it up and I only ever surround myself with people far more intelligent than me, so I welcome it (P1:100).*

Social enterprises are also good learning grounds for employees to build capacity and develop unique skillsets that have value in other industries. Many participants indicated that the resource constrained environment means that employees are often limited in their options for development or that they are underpaid for the amount of energy they put into the organisation. Most participants indicated that these factors lead to prevalent attrition of employees in the organisation which may be due to them finding better opportunities, especially in commercial enterprises, due to their substantial skillsets.

> *That's the one thing. And then also when they are very good, people with more money come in and the poach them (P2:61).*
>
> *They come and go and… but I mean, the main thing for us, because what we always said, is we want to produce the best and for the fact that they are attractive for other people out there (P11:55).*

Many of the social entrepreneurs interviewed indicated that they take steps to mitigate employee attrition which includes the development of loyalty by developing employees through education, changing roles and providing promotions.

> *Absolutely, giving for example, employees members, the opportunity to always develop and have access to material, you know and always have lateral movement within the organisation I think is very key and really social, triple bottom line business and allowing the integration of skill sets across sector (P15:36).*

Despite the above, most social entrepreneurs indicate that employee attrition is a real threat to the organisation and that the resource constrained environment means that the hiring of employees is often restricted to unskilled people. As such, most indicated that they set out to develop employees as highlighted before, but that the environment is also ideal for in-service training and employees looking for broad experience and an opportunity to apply their tertiary education where job opportunities are restricted in South Africa. Employees find the environment vibrant and engaging, and some choose to remain due to this factor.

> *But them to say the impact and the value that you have created also in our lives, the access, the information, opportunities, we've been to [University x] a few times on short courses, and sometimes [University x] would ask us to bring a few products and sell here. Or they pay for them actually, so just, we just cater. Those opportunities, they see more value beyond just salaries. They… ja. They're still here, they're still here (P14:84).*

Many social entrepreneurs also indicated that these factors, along with factors such as contextual embeddedness and association with the problems being addressed and a belief in the vision and mission, urge some people to join the organisation as volunteers and remain with the organisation for a long period of time.

> *I've had for seven years I've had people volunteering. So imagine even people volunteer for seven years without any payment, you know getting the right people for the right job, you know (P5:15).*

Some social entrepreneurs indicated that, in the context of a resource deprived environment, identifying the right people for social entrepreneurship is key and that fit and natural competencies are more important than education. They highlighted that factors to assess in the hiring of employees include: an interest in, and empathy for the problem being addressed which may be precipitated by contextual embeddedness, self-motivation and development, and a drive to keep themselves embedded and relevant in the context of the problem being addressed.

> *So ja, that's a big issue. And their ability to keep the sessions interesting also depends on the individual's ability, interest and self-development. So they also got to do, keep themselves up to date with what's happening in the world, advancements in the community, what's happening in the environment … (P2:62).*

5.7.4 Organisational credibility and legitimacy as a risk mitigating strategy

Most participants indicated that reputation in the social entrepreneurship industry is a key consideration and that social entrepreneurs should be aware of the impacts of their actions. They further indicated the importance of applying donations and grants in the way that it was set out to be used and the avoidance of misuse. It was also indicated that the aim to establish credibility with funders is key and that they do so by implementing governance procedures which are publicly available (see 5.7.5).

> *Ja trying to demonstrate that we're the right people to invest with because we will use it [funding] effectively (P10:9).*

Performance measurement emerged as a key construct in the research and is, in one form or another, demanded by funders either pre- or post-investment. The tendency to skew performance to attract or retain funding was indicated to be moderated by reputational risk.

> *A lot of the time we get alerted by the organisation themselves because they are scared of the repercussions, you know (P6:33).*

A central theme that arose from especially participants from social ventures was the construct of credibility from the community point of view, which for social entrepreneurs emerged as a key priority to ensure social value is created.

> *But for me it was like very important that we actually had this credibility in this community before we start the funding. But in a lot of ways I've spent so much time building that credibility and not so much time talking to funders. And now I feel like I'm playing catch up (P10:57).*

Most funders indicated that credibility is built on the organisational capabilities which is measured based on the skillsets in the organisation and its historic performance and that this information is used to offset risk associated with their investments within their organisations.

> *Which is why for me the skillset and the track records are more important, a lot of times you are guessing, you're going by your intuition and you have to at that stage. Which is why a lot of people don't invest in early stage because high risk, incredibly high risk (P7:43).*

Participant 10, also from a funding organisation, offered further detail on the dimensions of organisational legitimacy, that organisations should be ethical, compliant and that these aspects contribute to brand identity and reputation. Participant 10 also highlighted that organisations need to have a vision and mission which is linked to their theory of change and that this is in turn should be linked to their governance where organisations should be able to actively measure performance both from a social and financial perspective.

> *… organisation being compliant in terms of the rules of the game in a given context. So this organisation pays its taxes, doesn't do things under the table, doesn't take backhanders, etc. But those are the brands and reputations that people can trust (P13:15).*

> *So my first signal is that they've got theory of change. … And they are gathering data that they are monitoring what they should be actually pull in and what that data means. And then they are independently evaluating it (P13:47).*

From the data, it emerged that organisations with a non-profit background had a distinct social focus and more energy was expended with stakeholder engagement than those with a more commercial focus. Participant 16 indicated that engagement was done only yearly as opposed to regular interaction.

> *Ja, so I go every year (P16:22).*

5.7.5 Governance as a risk mitigation strategy

Aligning organisational activities and outputs with the mission emerged as a strategy employed by social entrepreneurs to mitigate risks in terms of sustainability and vision and mission drift which would ultimately impact on the sustainability of the impacts of organisations. The importance of governance has previously been discussed in terms of organisational credibility which is linked to reputation and attractiveness to invest (see 5.7.4). Further to this, it emerged that governance directs financial management which impacts on financial sustainability through mitigating risks associated with financial management (see 5.7.2). As such, participants from established organisations indicated they implement governance to mitigate these risks and those associated with impacts by having detailed procedures and policies to direct operations.

> *Sustainability has always been part of our long-term thinking. So in a lot of ways we've invested a tremendous amount of time in setting up systems and procedures and policies and other kinds of backing frameworks with a long-term vision in mind (P10:18).*

Further to this, policies and procedures were indicated to mitigate risks in terms of operations where employees leave, meaning that the transition to new employees is more efficient and that the interventions being enacted are not compromised.

> *So I developed a programme and we spent a lot of money on that programme. … So it's like… and why I like the programme, having a programme, is that even when one of the staff members resigns or goes somewhere, there's still a document (P5:86).*

A participant from a funding organisation indicated that there is a link between governance of finances and the organisation as a whole and that it is indicative of management capacity which is an antecedent for the sustainability of social and financial performance.

> *But we're looking at it not in isolation of the finance for example. If they can't report to us on the… on their quarterly management accounts, they're not going to report to us on impact. It's as simple as that (P13:36).*

Governance in social ventures was also indicated by participant 12 to include aspects such as performance targets in terms of financial management.

> *Ja, because we have targets and I have an income target to reach every year, each of us has an income target and then collectively (P12:49).*

5.7.6 Conclusion of research question 3

It emerged from the research that, especially financial risks are considered in opportunity evaluation and creation. However, risks associated with products and product/market fit, impacts, people and risks associated with unforeseen eventualities are also pertinent. Varied risk mitigation strategies emerged from the research based on five main groupings, namely operational, market, reputational, financial and impact risks and were discussed as they emerged in this chapter.

5.8 Results: Research question 4

How do social entrepreneurs approach business model design when evaluating social enterprise creation opportunities?

This question sought to explore how decisions are made in the processes of business model design in opportunity evaluation for the creation of social enterprises. It also sought to find what trade-offs emerge in the assignment of resources in the process in the context of social entrepreneurship. Added to this, the function of the social value proposition and the value created through the economic value proposition as well as the nature of trade-offs emerging between value creation and value capture were also of interest. This question also sought more information on the function of the social value proposition itself.

A second element of this research question was the exploration of the use of experimental and user-centric design methods which include the small scale piloting of an idea that may be used to develop, measure and improve the effectiveness of the business model (Wilkinson & De Angeli, 2014). This element of the question aimed to provide answers to how these strategies were applied in the social entrepreneurial context.

5.8.1 Business model design in social enterprise creation

The construct of sustainability permeated much of the discussion around the business model and participants indicated that it is interlinked with the business model being able to create, deliver and capture value whilst these aspects are enabled by the social and economic value propositions.

5.8.1.1 The link between the business model and sustainability

Most funders indicated that sustainable business models are typified by robust business fundamentals which include an understanding of the market and its potential, how revenues are to be derived from the market and other sources, how value is to be created and delivered and a business strategy to effect all the aspects of the business model. All funders also indicated that planning and forecasting is required to ensure the future sustainability of the business model and that social entrepreneurs are sometimes guilty of ignoring business fundamentals as described.

> *And I mean, you know, you would do your Pastel, in terms of your analysis to actually understand your market, your customers, your you know, what your revenue streams are going to be, how you're going to sell it, to whom, why, when and how, what your pricing is… all of those kinds of things that you would actually do in a full profit business. Why then when we get into a social enterprise would you throw all that out the window (P13:9)?*

Some participants from social enterprises indicated that the design of the business model is directed by the strategy of the organisation and that the design thereof starts with the strategy which directs the areas and timing of business activities, performance goals and the geographical areas in which it will be operating.

> *We, when… even when we form our strategies, we looking as well into all the entities within the organisation and hence we've got very strong five pillars, we call them. And these pillars speak to each, they speak to each other, but they also have… they are connected to that big word of, you know, how to be, how do we sustain the whole entity? So the NPO side for instance in terms of development, we… is part of our innovation, is part of us talking about sustainability of the NPO and the location and the outreach programme (P11:25).*

Participants from funding organisations indicated that investors sometimes influence the design of business model with the aim of enhancing commercialisation of products and services and that it enables the sustainability of the organisation.

> *… think of examples, but again it's around commercialisation, even if they are impact investors. They often put pressure on them to do things differently than they have originally anticipated. Sometimes it's necessary right (P3:71).*

Funders further indicated that a useful way of evaluating business models is by comparison with other, similar, business models that provide for sustainability.

> *… there is because we also look at, you can compare, so we often compare organisations and the models that they use. So you often find, why do they need…? What are they going to be doing when this organisation seems to run a lean admin space that… you know what I mean (P6:46)?*

5.8.1.2 Hybridising the business model

Many of the social entrepreneurs interviewed indicated that a transition to hybrid models was the path to entry to social enterprises and that successful transitions to hybrid models were realised by the extension being founded in the core competencies the organisation had been able to amass over the years of operation as a non-profit organisation. Participants 4, 5, 8, 9, 11 and 14 (Organisation 1) provided evidence of this transition being characterised by this and similarly, participants 10, 12 and 15 were considering various ways of extending the business model based on the core competencies of the organisation.

> *So we can have a student have now a choice to say, instead of me going to TUT and register for a dance course, I would want go to [P11 organisation] because I still get a qualification. The same qualification that I'll be getting from TUT but I know that I get more value coming here in terms of its training because ultimately those kids that come out of those institutions, they're still coming to us for training (P11:31).*

Linked to the previous point, the creation of value was indicated to be linked to the competencies of the organisation and its human resources and the strength of organisational competencies was stressed as a key success factor in business model design and extension.

> *[P11 organisation 1] applied to be one of the facilitators. And they ran interviews and our value proposition was we speak all South African official languages, so it was easy for us to go into any township in any coloured area, in any, white, black, so that was our value proposition that we speak all 11 official languages of South Africa (P14:24).*

A common theme with participants from social ventures and enterprises was that the conversion to hybrid models introduce the requirement for additional resources to design, test and effect the commercial business model. It was indicated that typically, competencies and time are lacking and that dedicated resources are required and that this aspect translates into a trade-off with the scale of impact the social entrepreneur is able to generate.

> *I think, you know, I think we're at the stage right now where if we had an investor who would be willing to support a few key roles in [P10 Organisation], we're almost kind of like locked and loaded and ready to go, in terms of we have products to take to market. We just need someone to do the leg work of building*

the aspect of our social business. Like, we've done all the hard yards. You know, we have so much going for us. I could really use additional support (P10:32).

Participant 11 indicated that the requirement to shift to a hybrid model revealed that the non-profit side of the business was not equipped for commercialisation. A diversified board and a dedicated management team was appointed to deal with the commercial business, yet the organisation was able to draw from its core competencies to enact the commercial business. A detailed strategy was drafted to support the commercialisation of the hybrid model.

So when I came back with the document, you know, to the board, which was highlighting the diversification of income streams, it was already sounding like it's a business model that needed to now to be linked and developed carefully, but it was a business model that was not fitting in to the NPO status. Therefore [P11 organisation] was born to accommodate that strategy on the working document of diversifying those income streams. And out of that developed then the five-year strategy (P11:42).

5.8.1.3 Hybrid revenue structures in the business model

Participants indicated that sustainability is linked with financial viability (see 5.5.2). Further to this, participants indicated that financial viability is supported by having multiple streams of revenue and that income streams should be replicable to ensure that impact is effected.

Obviously income generation, replication, relevance, being able to adapt to external circumstances, flexibility, and definitely different streams of income generation. I don't think… I think the days of somebody doing just one thing in terms of growth, don't think works very well. I think partnerships and leveraging multiple stakeholder engagement is the only way you can achieve those sort of impacts (P1:14).

Participants contemplating hybrid models and those that chose to switch to hybrid models indicated that they are being or were forced to do so to enable the financial viability of the organisation with the aim of funding the core work, that in all cases, was reported to be the social side of the business.

… and then to start identifying ourselves really as a business without losing site of the work, the incredible work that we do in terms of training and development and being part of the community in terms of our outreach programmes … (P11:1).

Participants also indicated that more profitable business models are accessible through hybrid models and that it enables the organisation to become sustainable not only from a financial perspective but also in terms of employee and core competency retention.

> *… I think the decision for us to move from a non-profit organisation into a social enterprise was internally for those reasons that we want to maintain the management of the organisation because they're working super super well, but now with the opportunity for them to go and make more money, they leave us and it's one of those challenges, like how do we now create sustainability within the organisation (P14:9).*

Participants from grant funding organisations indicated that grant dependency in excess of 50% is indicative thereof that an organisation would not be able to survive without the grant and thus consider these organisations unviable as grant funding cannot be considered a guaranteed revenue stream.

> *So we wouldn't want an organisation to be dependent on our funding to greater than 50%. So 50% we get nervous (P6:25).*

Multiple sources of revenues, which may include donations, grants, loans and profits, are required to enable the financial viability, and with that, the sustainability of the organisation (see 5.7.2). Participants indicated that profits, which are by nature more adept to forecasting, are channelled towards funding the core activities of the organisation or to cover overheads which are often not covered by donors.

> *I suppose what is important is what works. So we structure ourselves… I mean all of these ventures are around funding our core work (P4:53).*

> *It's all from profits generated from different enterprises from within the system that goes towards salaries and paying overheads (P1:109).*

Funding models also provide for subsidising of products which are destined for poorly resourced beneficiaries. Participant 2 indicated that the business model was designed on the basis of training materials being developed and paid for by donors, allowing the product being rolled out at low cost.

> *You don't have to worry about paying, like, large funds of money to access our content. Because the tuition is already covered by, you know, a donor or whatever the case may be (P2:50).*

A number of participants indicated that some form of cross-subsidising between separate legal entities within the organisation is practiced. Typically, more profitable commercially oriented business provides critical funding for socially oriented non-profit entities.

Evidence was also offered in terms of the sharing of resources between entities and that services are cross-sold between organisations. The aim of these structures was also indicated to ensure the financial viability of the socially focussed entities with the ultimate aim of ensuring the sustainability of the impacts being enacted.

So essentially, it's using commercial means of… So… And it will… Any profit it makes will just be ploughed straight back into [P4 founded organisation C] (P4:6).

And then as a result of that, you're taking a percentage of the profits you are making out of the retail or direct selling space, filtering it back into the NGO so that you are still able to give these pads away to less advantaged… communities (P9:7).

Participants also indicated that often, funds are obtained from donors or funders to enact specific programmes. Here, funding cycles vary between three and five years. This enables the organisation to plan for the medium term and provides for medium term sustainability. Any additional windfall donations are considered additional and are used to build capacity within the organisation, be it through buying equipment, or to roll out other programmes which also build organisational competencies.

For programmes, that's when it's about funding from outside. So it really helps us because of… without social development it would be very difficult to plan and now they're going to increase it to five years. So we will know the next five years we've got… As long as we've got funding, you can account everything (P5:42). … So it helps us to know at least for the next three years, this is how much we have. That excludes the municipality, national lottery, those, we call them extras (P5:40).

In contrast grants and donations which typically have specific reporting requirements or are targeted at specific interventions, profits were indicated to enable unrestricted use which allows social entrepreneurs to further build capacity in the organisation or to cover core functions.

So with this training and everything [commercial revenues], with this money we choose what we want to do. Ok, let's buy a car for the organisation, let's do this, let's do this. Let's renovate. And then, because I also do business (P5:64).

5.8.1.4 Value capture and the trade-off with social value creation

The importance of value capture in the business model was highlighted by participants due to the link with sustainability which is also linked to the creation of value. Almost all of the social entrepreneurs interviewed were seeking to offset the impact of unsustainable revenues, such as donations and grants, with profit driven revenues. Most indicated that all commercial business models and markets are to be aligned with the vision of the organisation.

> *But at the same time we're doing it in a way, we are generating capital ultimately through work we believe in. We haven't sort of set up a separate sort of pawn shop down stairs, you know… it might be more profitable, but at the end of the day it's not aligned with our vision (P4:54).*

> *And so these are examples of like things, it's not our core mandate at all, it's potentially lucrative. Is it really an impact that we feel like we want to shift a needle on, do we… is the cost benefit analysis of designing that training for [Entertainment centre] around engaging with young children enough in line with our vision and mission? I don't know (P10:38).*

Some funders indicated that trade-offs between impact versus profits was a common theme in social entrepreneurship, especially in the nascent stage of the organisation and that, at times, they are satisfied with impacts that are realised at a later stage in expense of profits in the near term.

> *And a lot of the reason for that is because when we have to make a trade-off between a mission and a profit, we tend to favour the impact, right. And a lot of social entrepreneurs find themselves in that conundrum early on. And it's a very tough thing to make, it's a very tough decision to make because, I'd often times, with most of the other things that I'm involved in, have made the profit motivated thing, as long as there's not a… you know, as long as it's not completely against the mission type thing. But we've pursued a profit and then the impact would come later (P7:33).*

5.8.1.5 Value creation as a means to sustainability

Many social entrepreneurs and funders agreed that the industry, and in particular hybrid models, are characterised by innovation and that this aspect is linked to sustainability in that it enables the creation of value in a resource constrained environment and in resource constrained markets.

> *A lot of people that get into this space that has this innovation focus, or a future focus, might be more money focussed. A lot of people that come from a traditional NGO space or have this very idealistic view, but realise they also have to survive and therefore need revenue (P7:35).*

Participants from social enterprises provided examples of business model innovation which is linked to sustainability. Here, for example, the creation of multiple layers of value, thus implying the existence of multiple value propositions which are often both social and economic in nature.

> *We look in terms of what else can be attractive to those who want to participate in the outreach programme, in the development of them as dancers. And so our partnership with [university Y] to say, we want to partner with you, in terms of showing that when we developing this, a group of people, they also know that they have a qualification that is recognised by [university Y] (P11:26).*

Other innovations were centred around the resource constrained environment with participant 12 offering the example of upcycling as an innovation strategy which has cut materials costs to null.

> *So what we do now is that we use a lot more recycled material, we have a lot of donated material (P12:8).*

Most of the social entrepreneurs interviewed indicated that cognisance of the market segment and their needs and requirements, as well as the market potential is an important consideration.

> *So the Europeans don't particularly care if they pay R300 of R400 for a shopping bag. Because it's really important for them to have a unique product. South Africans are less inclined to pay that kind of money and your locals don't pay that at all because they can buy a plastic bag for 50 cents (P12:19).*

Further to the previous points, participants highlighted the importance of partnerships in creating value and capacity in the organisation and that this aspect is inextricably embedded in the sustainability of the organisation (see 5.6.1.3). However, partnerships also become entangled in the business model of the organisation where integration of partners in the value chain was also evident.

> *I'm hoping that we can bring two or three more incubators online in the next two years. Reason being, because each incubator employs employees because everybody works for themselves, but we upskilled in terms of sowing skills. We upskill in terms of how to do basic accounting, how to write an invoice, how to write a receipt, a delivery note, how to manage your time, how to ensure that you can meet the orders that you need to make and meet (P9:33).*

5.8.2 Social value creation

5.8.2.1 Strategising for the long term in social entrepreneurship

Most social entrepreneurs recognised that social change requires patience and continued input to enable the systemic changes that they aim to enact. Many social entrepreneurs and funders alike, indicated that the social systems, which are often the target of the interventions being enacted, require momentum and take a long time to change and that for this reason, the sustaining of the intervention over a longer period is required.

> *It's such a… it's about parent education. So it's actually, it's a long-term investment because parents have been conditioned over a long period and the school system is a system that they went through and it's a system that's given results to a certain extent. They've got degrees and they've got a job. So it's been tested, it's structured, it's an institution that's recognised (P2:72).*

Some social entrepreneurs indicated that, in order to create tangible social value, a long-term relationship is to be created with its beneficiaries which affects the scale of impact, in that a smaller segment of targets must be engaged with to create and measure impact.

> *Specifically, if you go to a high school, is every year there are new standard 6s so you can go back every year for the standard 6s and then you can do the monitoring and the evaluation of the previous standard 6s … So it's a long game. And it certainly is part of our strategy to do that, because otherwise what's the point (P9:23)?*

Some social entrepreneurs also recognised that interventions may have a seemingly benign effect on their targets, yet that a process of systematic, yet slow, change may still have been initiated by the intervention. This was also mentioned to complicate the perceived value of the organisations when dealing with investors, which are more likely to recognise quick gains.

> *So for instance you're exposed to [P4 created organisation C]'s resources or… when I speak to you tomorrow it may have made no difference in your life, but it may have started a journey which then somebody else or something else happens. And if you haven't had that building block that was us or an intervention of us, you would have never taken the next step (P4:69).*

Further to these points, many participants from social ventures also indicated that the processes employed in evaluating opportunities and the forming of viable business models take time. Related to this point was that community involvement, which is considered a critical component of the processes, also add more time to the process of venture creation.

> *… we haven't built this journey of relationships, trust, operational capacity to run it in a like, testing what works, what doesn't work, developing our own original proprietary approach (P10:56).*

5.8.2.2 The importance of human resources as a means to social value creation

Most social entrepreneurs indicated the importance of human resources in creating social value (see 5.7.3.1), and that for this reason, social entrepreneurs seek to find resources that are aligned with the vison. They further indicated that resources are inextricably part of the organisation and its value creation mechanisms through the almost exclusive use of the word "we" throughout the research context, when referring to the activities, outputs and impacts being enacted. Resources are also applied to enable the founder to focus on value creation. Further to this, resources (remunerated or not) are often a source of innovation in the organisation itself and contribute to the creation of value by being a sounding board for ideas or for providing new ideas and opportunities.

> *… I established an innovation team, every Friday they must give me a new idea, new client. People within the community and it is different communities, so that's how I get my information (P5:76).*

The deployment of requisitely skilled resources based on the varied requirements of the hybrid business model was indicated by many of the social entrepreneurs to be a requirement to ensure the sustainability of the organisation and for the creation of further impact.

5.8.2.3 The importance of scaling of impact

Many participants indicated that that the scaling of impact is a primary drive and that it is linked to their motivations for addressing, and the need to address, the problems they are targeting and the sustainability of the changes they seek to effect.

> *Sustainability in terms of if you look at scaling, not only scaling in terms of size of the organisation, but how do we scale from our operations, how do we scale for impact (P14:10).*

When probed on motivations for scaling, participant 10 indicated that an awareness of the need for the scaling of the intervention, and the organisation's inability to scale, has prompted the organisation to contemplate giving its processes and methodologies away to others for implementation.

I think for me I feel like the need is so great and when I say the need is so great, it has to do with our impact with regard to interventions in early education (P10:34). … And you know, scalability again, in terms of… I… maybe we do create something where we actually just give away our content and say take this and create your own [P10 Organisation] (P10:30).

The point raised by participant 10, that capacity is required for scaling, was echoed by other participants, with some indicating that internal capacity exists for them to scale thus enabling them to move to a hybrid model. Other views on scaling, that it may be effected by partnering, was also offered. Here it was indicated by some social entrepreneurs that beyond combined capacity, the collective efforts of partners may have an amplifying effect on the impact being effected.

So I identified there was lack of coordination, lack of collaboration and lack of a national cohesive approach that would actually scale and make impact on the ground (P15:4).

Scaling too quickly, without prior testing of the business model was indicated by one participant to lead to failure.

Build it, they'll come. No one is coming [laughs] (P2:65).

Participant 7, a funder, also indicated that scalability of business models are assessed due to the capacity of scalable business model to generate revenues and returns.

I look at the scalability of the solution, because that's a funding thing (P7:10).

5.8.2.4 The theory of change

The social entrepreneurs interviewed indicated that a theory of change was present in their organisational and business model design and that it was derived out of root cause analysis of the social problems being targeted for intervention.

But ja, it's really a social problem in South Africa the broken food system that mass populations are exposed to even the latest stats coming out now to say that the average price of a food basket with 28 staple foods for the months is R2900 and the minimum wage is R3200. So I mean it doesn't really leave anything for rent or transport so there's going to be a squeeze on a mass population because of this food system which is so heavily aligned with large scale conventional agriculture that's got no space for small holder and emerging farmers (P15:11).

It was indicated that, in some cases, it was formalised, yet not all participants indicated that formal theories of change were present. However, most participants were able to articulate their theories of change through the interviewing process. Some evidence of the evolving nature of the theory of change was also indicated.

> *Because I know it's important to speak of a vision but it changes once in a while. Because I mean, offering someone skill. And now I'm not even focusing on drug addicts. I'm even focusing on those kids fresh from school. I want to catch them even before they get into drugs. You know, so it changes once… you know, as you go it changes (P5:44).*

Evidence from participant 5 indicates that the theory of change was changed as the participant grew in understanding of the social problem being addressed. In support of this finding, participant 7, a funder, indicated that for social entrepreneurs to be effective, a contextual understanding and ability for systems thinking is required.

> *I like to see how people think about it because for me the best social entrepreneurs are systems thinkers (P7:11).*

Further to this point, the complex social systems in which social entrepreneurs operate and the requirement for including all stakeholders in the design of the intervention was highlighted by participant 1 (see 5.7.3.1). Participant 6, a funder, indicated that business model design is initiated from the theory of change, as deeper enquiry on the theory of change provides details of the requirements of social interventions and the business model alike.

> *Well, how you will achieve those things. If your theory of change is to see, you know, opera… black opera stars going across to overseas to perform and earn money, that's great. And how do you do that? And what is your model to do that? And what is your training programme like? And how do you raise funds to do that apart from grant funding, etc. (P6:51)?*

5.8.2.5 Value perception

Participants from social enterprises and funders alike, indicated that it is essential for beneficiaries and commercial clients to recognise the value of activities, products and services that are developed, and that they need to address the needs of the beneficiaries.

> *And then also the recognition by the beneficiaries, the recognition of the value that you offer by the beneficiary that you are offering. And, so, by recognition I*

mean beneficiaries need to identify what you are offering is something that you actually is the solution to their own needs (P2:17).

This aspect, it was highlighted, also includes the requirement that products are sellable in the market and cognisance of the perceptions around social entrepreneurship is required which was indicted as a key constraint to the creation and delivery of value. Dimensions to this construct included the perception of value that a social enterprise can deliver, where it is expected by others that quality would be compromised, and that products or services must be delivered at a lower cost. This factor also impacts on the organisation's engagement with stakeholders as a whole.

There's certain perceptions around what a social entrepreneur should and shouldn't expect or do. But sometimes actually showing the progress and the ability for that social enterprise to stay and have real impact. So you walk into a room and you're selling as a social entrepreneur, there's a perception that whatever you are selling must be cheaper (P2:76).

Additionally, the perception of organisations being associated with welfare creates the perception that services must be free and this is especially the case where organisations that may have been operating on grant funding and previously offering free services, switch over to hybrid models, even when the service offering has been significantly revised.

So in the past we've been a welfare organisation and communities crammed that in their mind that we are welfare and when we started now initiating this social enterprise thinking, then suddenly when we started charging a price (P8:48).

5.8.2.6 The social and economic value propositions

Most of the social entrepreneurs interviewed indicated that the social value proposition differs from the economic value proposition (where it exists). They indicated how the two types of value propositions may be used to complement each other and that they are, in hybrid models, often inextricably linked and able to create value for multiple segments of society from the same service or product, yet with different particular value propositions in play, depending on the segment.

And that little girl is now sorted for pads for the next 48 months and because it's a sustainable solution. So that's kind of where we came from. Where we're going is saying, this truly is a sustainable solution. It really is an eco-friendly product. And if we are concerned about straws, then we should be concerned about disposable pads going into landfills. Because one of our pads is an equivalent to *a 144 disposable pads. So why is this a poor person's product. This should be a middle-class person's product that is supporting, being able to give this to people who can't afford it (P9:5).*

Participants also indicated how the value proposition is set to work to create value for beneficiaries through them acting on latent needs and through this, are drawn to participate in the intervention and thus deriving the social value that the product is meant to create.

For them it's free stuff. But they don't understand what's happening underneath all of that free stuff (P9:44).

I think it's been working because like, ah if I drink cappuccino, so my status goes a level up (P14:78).

5.8.3 Prototyping and piloting as method to design and test the business model

5.8.3.1 User-centric design and prototyping

Some funders in the industry mentioned the rising use of user-centric design methods for the development of products, services and their related business models in social entrepreneurship and cited the prominence of these methods being due to the fact that it provides for the development of ideas and business models at reduced cost and risk and that it speeds up the transition to viability.

So I love it because it's all about empathy, all about testing the theory users, all about quickly, fail quickly, fail often, that is… I'm a 100% for prototyping. And it's very aligned to our lean approach and you know, lean start-up and things like that. We're big fans of it (P7:44).

Interestingly, many of the participants from social enterprises indicated that they undertake activities which are aligned to user-centric design methods, amongst which, beneficiary needs assessments (see 5.7.3.1) and the custom design of programmes and outputs, based on beneficiary feedback.

… but to rather have a participatory engaging process where we understand the challenges, we custom design solutions for such specific projects and we go on (P15:29).

Further to this, four of the participants (representing seven founded organisations) indicated that a form of prototyping and piloting was used to evaluate requirements for business creation.

I like the concept of what I believe is the next cat's eye in the road. So this concept is I've got the vision, I just need the next step. And so with [P4 created organisation C] I knew there were little… It's a broad idea that I wanted to do something with using my experience from [P4 created organisation A] to tell stories (P4:30).

5.8.3.2 Piloting as a process

Participants undertaking piloting as means to evaluate opportunities and to develop viable business models indicated that it involves an iterative process where requirements for the business model is developed through a testing and feedback mechanism that informs the next step. It was highlighted that the process that the theory of change exists before the process is initiated and that the theory of change is tested through the process. Further to this, minimum viable products are developed and refined through the process and early indications of failure in outputs and impacts can be garnered from the process.

No, there's no formal process. The process is when you start implementing. So let me not say there is no formal process. But it's not like a structured 25 page… There's like these are our assumptions, this is where we think the need is, this is how we think we can solve it. And then using the iterative process, then start testing, you know, the smallest, easiest way what the response is, whether our assumptions… to check if our assumptions are actually correct. And then from that feedback we continue to build on our initial assumptions. Making changes where we've gotten it wrong and we've gotten it right and then continue with that (P2:23).

Some participants from funding originations indicated that during the piloting process, the vison becomes clearer, implying that the organisational vison may not be in place on the outset of prototyping. Other views offered included that the process is good to formalise ideas and that it is an indication that progress is being made, a signal that further investment is viable.

And then you raise the next round of funding as the vision has become clearer (P4:37).

Participant 10, a social entrepreneur, indicated the importance of documenting the outcomes, as sometimes, employees who undertake the testing leave the organisation taking the learnings with them meaning the efforts that went into the process are lost.

So from our [52:45 inaudible] and prototyping for example, two of the three implementers of that programme got teaching jobs and have now, they're no *longer working for [P10 Organisation] and with that means the knowledge of how it works have gone with them (P10:47).*

5.8.3.3 Piloting as proof of concept

Piloting is used to test the business model and social entrepreneurs indicated that loss is incurred along with learnings through the process which, after a number of iterations a viable business model may be found. Having an operating entity means the organisation is able to demonstrate a functioning business model and potentially also that impact that is taking place. As such, social entrepreneurs use piloting as a way to prove the concept both internally and externally meaning the organisation is able to attract investment.

And so even the development of [P4 created organisation C] and [P4 created organisation A], the first thing we did was raise enough money for a pilot… a pilot. So I couldn't raise the R18 million for a full series, but I could raise the R500 000 for a pilot (P4:43).

Participants also indicated that piloting of projects was a lower risk strategy for testing the financial viability of a business model, yet also that even in pilots, much energy is invested into the venture and emotional loss would be incurred if it did fail.

If it fails, it's going to fail but I'm not that guy. Like I would fight it till we win. I am not that guy. So this first six months for us was really about that, it was… I would see it as a pilot (P14:58).

Piloting is also endorsed by funders who see the process as a way to prove the concept, yet that funders do not expect performance measurements to be generated from social enterprises during this stage.

I think so. I think it is effective. There might be other things out there that you could do but I think this prototyping down the pilot journey to test things out is a great way to go (P6:57).

… we don't go through audits or financial statements or anything like that. The reason is because often they don't have that when they start, or their prototyping phase (P3:6).

Funders add that the process of piloting is a gauge of organisational learnings and capacity which would not have been available without the piloting stage being undertaken. As such, funders use a process of stepped investment to track the progression of the organisation and gauge attractiveness for further investment.

> *Absolutely, same thing. So this is why I say I like step funding, so a lot of the guys that come to ask us for investment, we ask them if they've done a pilot, we want to see what they've learned from it (P7:45).*

Two key downfalls of the process were highlighted by funders which are linked to the small-scale nature of the experiment, this being the fact that lower margin products that will rely on large-scale uptake for sustainability cannot be tested due to the inability to demonstrate full-scale uptake, and that this factor also implies that scale-ability of the business model cannot be proven.

> *Because often the margins, if you're sending directly to the consumers, the margins are so small. You know, if you're dealing with an app it's high volume users. It depends. It's difficult to say sometimes for me whether it's going to be the next big thing (P3:25).*

5.8.4 Conclusion of research question 4

A number of key constructs emerged from the research in terms of the design of business models during opportunity evaluation and creation. These included links between the business model and sustainability, hybridising of existing non-profit business models, areas of focus on value capture and creation and hybrid revenue structures. Further to this, the importance of long-term strategising, human resources, scaling, the theory of change and value perception emerged in the design of business models during the opportunity evaluation and created stages. Prototyping and user-centric design further emerged from the research as common processes that are used in search for sustainable business models and their use in social entrepreneurship and effectiveness in proving of concepts. Business model design, based on the theory of change as starting point and use of feedback loops, emerged as a potentially potent way of creating sustainable business models in social entrepreneurship.

5.9 Conclusion of Chapter 5

In this chapter, the research findings were presented based on the four research questions proposed in chapter three. The findings showed that opportunity evaluation is not a distinct stage in social enterprise creation and that it is continuous due to the object of sustainability of both social and financial outputs being difficult to obtain and that a process of opportunity creation, sometimes in lieu of evaluation, is prevalent in the industry. The contextual factors impacting on opportunity evaluation and creation were discussed along with risk mitigation strategies in support of the processes followed. Finally, the business model design and evolution for opportunity evaluation and creation was then discussed. These findings are to be discussed as contrasted with the literature in Chapter 6.

CHAPTER 6. Discussion of the Results

6.1 Introduction

This chapter presents a detailed discussion of the results presented in Chapter 5, as derived from the semi-structured interviews. The discussion is structured to relate to the five research questions, and the findings are related to the literature as reviewed in Chapter 2, with the aim of gaining insight on the research problem presented in Chapter 1.

Several important factors emerge from the study, some of which also led to and expanded study. Firstly, it was found that various approaches to opportunity evaluation is applied in practice, which include formal business planning as well as effectuation and bricolage approaches in developing viable businesses. Secondly, it was found that the process of opportunity evaluation is not a single event but a series of processes and actions that span many years, especially where effectuation and bricolage are used in searching for sustainable business models. Thirdly, it was found that many owners of viable businesses do not regard their business models as sustainable, meaning that the evaluation of opportunities is an ongoing process. Due to these facts, the study was expanded to include both pre-organisational forming opportunity evaluation, referred to as formal business planning, and sustainable business model search behaviours in formalised organisations, which may include piloting, hybridisation or sustainable revenue seeking.

The discussion of research question 1 sets out the processes applied in practice and provides the details for the findings around the various evaluation processes followed. The discussion of research question 2 then elaborates on the findings around the context in which social entrepreneurs undertake opportunity evaluation. This is followed by discussions on research question 3, which elaborates on how risks are mitigated in opportunity evaluation. Finally, the discussion of research question 4 is centred around the design of the business model, as well as search behaviours for finding viable and sustainable business models.

6.2 Discussion: Research question 1

What are the processes applied in opportunity evaluation for the creation of social enterprises?

The purpose of this question was to create an understanding of the processes used in practice for evaluating opportunities for the creation of social enterprises. As discussed in the introduction to this chapter (see 6.1), the research found a rich tapestry of processes that are applied, depending on the context of the organisation.

6.2.1 Opportunity evaluation processes

6.2.1.1 Entry routes into social enterprises

Two possible entry routes to social enterprises emerged from the research. Many of the social enterprises studied emerged from operating non-profits and some participants contemplated hybridising from non-profit status. Only three of the participants indicated that their organisations were created as social enterprise start-ups, however one participant indicated that four organisations had been created this way.

Entry routes into social enterprises is well discussed in the literature and, in the case of hybridising non-profits, is linked to the motivations of social entrepreneurs who seek to achieve sustainability of the social outputs of the organisation in order to achieve its social objectives. This, in turn, is enabled by the financial sustainability of the organisation (Lüdeke-Freund et al., 2016; McDonald et al., 2015). The final goal of financial sustainability in the support of the social objectives is also relevant to those undertaking the creation of social start-ups, however the literature indicates that a more commercial approach may also be prevalent for some social entrepreneurs, yet not without social benefits being generated by the business model (Germak & Robinson, 2014). The literature on the evaluation of opportunities indicates that the creation of social enterprises requires the evaluation of a number of possible means which may enable the achievement of systematic positive changes in the social fabric (Perrini et al., 2010). This aspect was prevalent in the research as it was found that all social entrepreneurs were seeking means of financial sustainability to support their social objectives, and this aspect was identified as the primary goal of the opportunity evaluation processes emerging from the study.

6.2.1.2 The ensuing and duration of opportunity evaluation for social enterprises and descriptions of the processes applied in opportunity evaluation

It emerged from the research that the evaluation stage of social enterprise creation precedes and overlaps with the formalisation and exploitation processes. Furthermore, in many cases participants were unable to indicate a clear start and end to the process, as the objective of sustainability seemed to remain elusive to most interviewed. The literature indicates that financial sustainability is a common concern for social entrepreneurs, and that it is linked to difficulties emerging in the collection of grant and donation revenues (McDonald et al., 2015; Servantie & Hlady Rispal, 2018). All social entrepreneurs indicated that they did not feel comfortable that the sustainability challenges of their organisations had been addressed and pointed to financial sustainability as an ongoing concern. It may be argued that this is why the social entrepreneurs interviewed described the evaluation process as ongoing.

The research found that financial viability is differentiated from financial sustainability in terms of the time period over which financial security is likely to be sustained. Social entrepreneurs indicated that, although they had achieved short term viability, the sustainability of the organisation was not guaranteed. This implies that financial sustainability is linked to the time period required to effect the social mission. Linked to this finding, it was further found that the process of evaluation is commonly undertaken over several years. Up to ten years was indicated for this, with longer time periods correlating with viable business models being sought from an operating venture. The literature indicates the process of pre-start-up evaluation as typically three years (Lanteri, 2015). Similarly, the process of establishing organisational sustainability may be of a similar time period (Servantie & Hlady Rispal, 2018). Social business models take more time to mature due to the complexities surrounding multiple stakeholder engagements and the attainment of financial viability (Mulgan et al., 2008, p. 12).

It also emerged that opportunity evaluation varies from being a formal business planning process, which in this study was found to be least used methodology, to viable business model search behaviours from within an operating venture. Here again varied approaches are common in the literature, and from a study by Lanteri (2015) it emerged that formal planning was also not common. Formal business planning is correlated with causation as an entrepreneurial method, and has been found to be more commonly used by social entrepreneurs in the growth phase of an organisation's forming, where more information is available and entrepreneurs have gained more experience (Servantie & Hlady Rispal, 2018). Most participants indicated that the use of informal methods was primarily due to a lack of information, which is common in the early stages of social organisational formation. This is supported by the literature, which indicates that informal processes such as bricolage and effectuation are correlated with informal entrepreneurial processes for the creation of ventures and are commonly used in the early stages of organisational development due to the prevalence of, respectively, resource constraints and uncertainty (Servantie & Hlady Rispal, 2018). Informal evaluation has also been shown to be effective in the creation of social enterprises, as well as where viable business models are sought for an operating venture (Lanteri, 2015).

The findings of the research thus give credence to the view that evaluation is not a single step in the creation of social enterprises. Social entrepreneurs engage in social value creation without a rigorous evaluation process preceding the formation of the organisation, due to them associating with the social problem they aim to address (Perrini et al., 2010). Social entrepreneurs then embark on a process of opportunity creation, supported by the processes of effectuation, bricolage and, at times, causation, to ensure the sustainability of the organisation (Servantie & Hlady Rispal, 2018). Through the process of opportunity creation, social entrepreneurs may evaluate various opportunities to create social and economic value which, in the context of this study and for the sake of simplicity, will be referred to as opportunity evaluation. In this context, then, opportunity evaluation is seen as a process that extends beyond the pre-investment stage to well into the life of the operating organisation.

6.2.2 The dimensions of sustainability of social ventures

The missions of non-profit organisations are often located in the context of market or government failures, driven either by the non-profitability of the market or a lack of legislative or political support. As such, these organisations operate in contexts that are either not profitable and/or not politically supported, which in turn impacts on their sustainability (McDonald et al., 2015). The construct of sustainability is an ambiguous concept and many descriptions exist in the literature. Hart, Milstein, & Caggiano (2012) argue that "a sustainable enterprise is one that contributes to sustainable development." Yet they also underscore that, for some, it is a "moral mandate" to create this type of sustainability. In support of this, participants from the study reflected on the construct of sustainability from the perspective that it is intertwined with solving real problems. F. M. Santos (2012) describes a sustainable solution as one that either permanently addresses the root cause of a problem or creates an institution that is able to continuously address it. This latter point presupposes that interventions should be able to be sustained over many years, or indefinitely where problems persist in the face of insufficient institutional change.

The areas of the business model described by the participants included the delivery, creation, and capture of value, as well as the commercial value proposition, which often overlaps with the social value proposition. The literature indicates that the construct of sustainability constitutes the ability of the organisation to create long-term benefits for society by becoming independent through combining effective resources and revenues to enable the creation of economic value (Perrini et al., 2010; Weerawardena & Sullivan Mort, 2006). The findings of the current study thus support the literature in this regard.

The results further indicated sustainability to be moderated by organisational donation and grant dependency, with eight of the social entrepreneurs indicating that at least one of their founded organisations have some form of grant and donation dependency — an aspect that was directly affecting the sustainability of the organisation. This aspect of the study was also noted in the literature as a prominent theme in social entrepreneurship, indicating that financial sustainability is a primary concern (Hlady-Rispal & Servantie, 2018; Perrini et al., 2010; F. M. Santos, 2012). The requirement for hybridisation is often caused by threats of dwindling grants and donations (McDonald et al., 2015).

Further dimensions of sustainability emerged in the research in terms of the accessibility, affordability, and relevance of products, services, and interventions being offered. These aspects are likewise well established in the literature, revealing that the markets in which social enterprises operate are typified by resource constraints, a lack of mobility, and the interdependence of constituents (Alegre, 2015; Azmat et al., 2015; F. M. Santos & Birkholz, 2015).

The research findings are aligned with the literature with regard to the fact that financial sustainability is a critical concern for social enterprises, and that factors such as donation and grant dependency is a moderating factor to sustainability. Hybrid business models seek to offset this moderating factor by creating self-sustaining revenues that are dependent on the business model to create and capture value through the two interdependent — social and economic — value propositions. The accessibility, affordability, and relevance emerge as critical dimensions of the products, services, and interventions that are to be designed to create value in opportunity evaluation.

6.2.3 Motivations of social entrepreneurs

From the perspective that social entrepreneurs are seeking financial sustainability with the aim of supporting their social change objectives, financial sustainability becomes a central goal in the evaluation of opportunities (Perrini et al., 2010). As for the nature of the social changes that social entrepreneurs are seeking, the research found that the desired social changes were linked to the motivations of the social entrepreneurs. It further established that what drives them to engage in social entrepreneurship is passion, which is often embedded in their personal identification with the problems they are aiming to address. Some participants indicated that this association is born out of having come from similar situations themselves. Many social entrepreneurs described themselves as having been born with empathy and understanding, and expressed that they aim to provide hope and a better future for all. Some indicated that they wanted to do good through doing business, and expressed that the business was created for the benefit of the beneficiaries.

In terms of the motivation of the social entrepreneurs, these aspects align with the literature. The literature indicates that social entrepreneurs engage in industry due to a blend of intrinsically driven factors, which include association with the problem, a need for achievement and to help society, the fulfilment of personal desires, as well as that these aspects are achieved through a non-monetary focus (Germak & Robinson, 2014). During the interviews, however, participants did not directly indicate that personal achievement was a strong motivating factor. This may be attributed to it potentially evoking biases associated with social desirability. The literature does however indicate that intrinsic motivation, which enables those engaging in social entrepreneurship to persist in difficult contexts, to be a key enabling factor for the creation of social value (Stephan et al., 2016). It is further observed in the literature that the founder must have an intention to create a social venture in order to enable the process of evaluation to proceed (Lanteri, 2015).

In terms of opportunity evaluation, the literature indicates that not only is personal motivation to act the primary drive to engaging in social entrepreneurship, but that cost-benefit analyses are typically forfeited due to this driving factor (Perrini et al., 2010). This latter aspect also provides credence to the views of funders who indicated that social entrepreneurs sometimes act from a space of desperation, which render their efforts ineffective. Added to this is the dimension of the disposition of the social entrepreneur, where the literature identifies that some have more of a social, and others more of a commercial focus. This disposition may be identified by the initial intent of the entrepreneur, namely to either address a social problem or to exploit a market failure with social benefits (Lanteri, 2015).

This study finds that the motivations of social entrepreneurs interviewed are positive indicators of them engaging in the industry, and also that these motivations play a more prominent role than the desire to formally evaluate the opportunity to do so. As a result, the analysis is often forfeited, as was indicated (see 6.2.1.2). The factor of motivation is, however, linked to the social change that social entrepreneurs seek to create, and this in turn becomes the goal of evaluation and sustainable business model search behaviours. The literature indicates that social entrepreneurs could benefit from applying the entrepreneurship processes that organise activities and business models for effective social value creation (Perrini et al., 2010; Verreynne et al., 2013).

6.2.4 Agility and adaptability in searching for sustainable business models

The concepts of agility and adaptability emerged from the research as being essential requirements in the context of social entrepreneurship, enabling the sustainability of the organisation. Changing external environments, resource constraints, and learnings from stakeholders were indicated to be influencing factors on the strategic direction of the organisation during formal evaluation and the search for sustainable business models. It was shown that these influences, at times, push organisations to revise their strategies, outputs, impacts, mission, and vision.

These findings strongly align with the literature, which indicates that the processes of bricolage and effectuation are strategies employed by social entrepreneurs to overcome problems in forming socially and financially sustainable enterprises. Di Domenico, Tracey, & Haugh (2010) indicate that social entrepreneurs find innovative ways of using existing and undervalued resources in creating value. They identified three distinctive processes through which social entrepreneurs create value through bricolage namely: making do, refusal to be constrained by limitations, and improvisation. They go further to identify three key constructs that are linked to their conceptual framework of social bricolage. These include social value creation, stakeholder participation, and persuasion, which are used to continually adapt to resource constraints on the one hand, and the ecosystem in which their organisations are created and operate on the other. Similar to bricolage, effectuation is a strategy of opportunity creation and transformation (Servantie & Hlady Rispal, 2018). Effectuation is a process of flexibility and creativity that operates on the principle of affordable loss. Effectuation is commonly applied by more experienced entrepreneurs who employ innovations and strategies based on the assumption that they will be able to control the outcome, along with any losses that they may incur (Servantie & Hlady Rispal, 2018). The research found evidence of both bricolage and effectuation being methods by which social entrepreneurs create opportunities or seek sustainable business models, and has found these approaches to be favoured ahead of formal evaluation techniques previously identified as causation (see 6.2.1.2)

The research also found that funders, responding to the question on the ability of social entrepreneurs to be agile and adaptable, echoed the sentiments of social entrepreneurs, yet in addition offered that values and governance should be two areas that are not compromised through these approaches (see 6.4.5).

6.2.5 Conclusion of research question 1

From research question 1 it emerged, firstly, that social entrepreneurs seek sustainable business models from the onset of the evaluation of opportunities, and secondly, that they are driven towards this by their motivations to create social value. Social entrepreneurs create social enterprises, sometimes by undertaking formal evaluation, and sometimes by engaging in sustainable business model search behaviours. In both cases, sustainable business model search behaviours are evident, indicating that formal evaluation is only moderately effective in ensuring sustainability. These aspects are indicated in the framework depicted in Figure 8, which frames the opportunity evaluation and creation process and intervening variables impacting on the process at various points shown in dashed blocks.

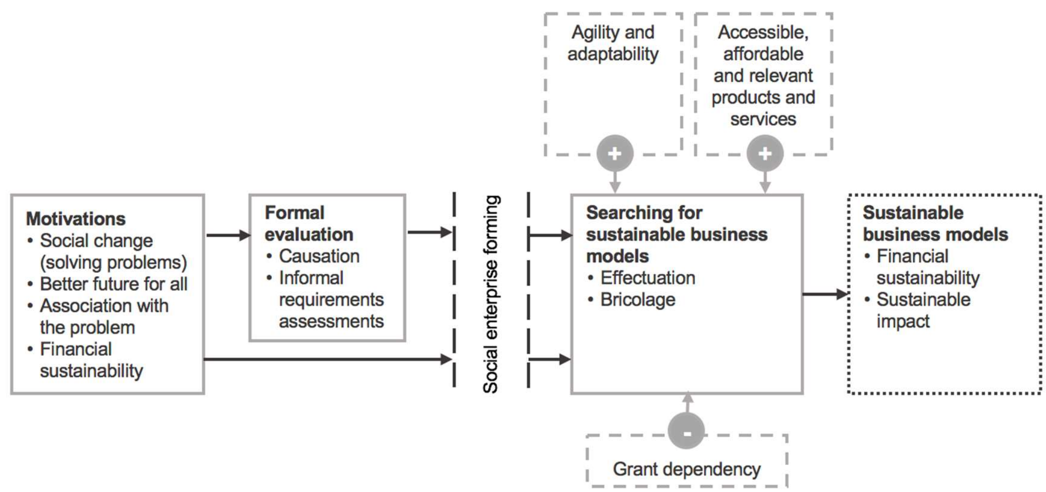

Figure 8: The process of opportunity evaluation in social enterprise creation

6.3 Discussion: Research question 2

What is the context of opportunity evaluation for the creation of social enterprises?

The purpose of this question was to understand what the contextual factors are that drive processes and decisions towards evaluation and the creation of, or investment in, social enterprises.

The discussion of this question indicates that multiple contextual factors impact on the evaluation process. These include enabling and constraining factors, the influence of stakeholders, and the context of funding for social enterprises.

6.3.1 Enabling and constraining factors in social entrepreneurship

Because the ecosystem in which social enterprises operate enables value creation, it is paramount that the social entrepreneur have a thorough understanding of this ecosystem (Hlady-Rispal & Servantie, 2018). In terms of the ecosystem of opportunity evaluation, four main themes emerged from the study that define the ecosystem in which social entrepreneurs operate in South Africa. These are the external enabling and constraining factors as well as the internal enabling and constraining factors, which impact on the ability of organisations to create value and are therefore pertinent to opportunity evaluation.

6.3.1.1 External constraining factors in social entrepreneurship

In terms of external constraints to social entrepreneurship, various socio-cultural barriers emerged from the research. Prominent among these were the family responsibilities of women, cultural orientations towards education, and the adoption of technology. These factors are of course not unique to South Africa, and the literature indicates that cultural factors are common barriers to entry for social enterprises. Cultural factors are linked to the ability of the organisation to create social capital and through that, credibility. Providing accessible and available products and services implies that these barriers have been overcome (Azmat et al., 2015; Robinson, 2006).

Institutional barriers include government policies, political and affiliative gatekeepers, frauds and protectionism of big business. These factors imply the existence of institutional voids in the ecosystem, which is likewise not unique to South Africa (Littlewood & Holt, 2018). Participants were in some cases able to circumvent these barriers by changing their business models or funding structures. The literature indicates that, to be successful, social entrepreneurs will evaluate these barriers as part of the opportunity evaluation and creation stage, and through this process identify opportunities in these contexts that they will directly address in their business models (Robinson, 2006). Social entrepreneurs are to be adaptable and resourceful in any given context to achieve the social mission of the organisation (Di Domenico et al., 2010).

6.3.1.2 Internal constraining factors in social entrepreneurship

The study finds that internal constraints that impact on opportunity evaluation include especially the dominance of resource constraints, which influences the ability of organisations to prototype, spend, market itself, and secure finance. The literature indicates that resource constraints are prevalent in social entrepreneurship and that this permeates all spheres of operations (Azmat et al., 2015; McDonald et al., 2015). Some organisations have, however, been able to moderate the limiting factors of resource constraints by self-sacrifice. Participants indicated that they themselves often do not take salaries, whilst providing the energetic input to sustain the organisation and its employees. Participants also indicated that they provide funding from their own reserves and that employees and members also make sacrifices to keep the organisation afloat. This finding is substantiated by the literature, which indicates that passion, energy, and the pooling of innovative resources are used to overcome resource constraints (Azmat et al., 2015).

The research further finds that the inability of organisations to navigate the two apparently disparate worlds of social and commercial orientations is a key constraining factor. Typically, social entrepreneurs are often not educated in business or, on the reverse, business people entering the industry are not cognisant of the requirements determined by the social mission. The literature indicates that diverging attitudes and language barriers obstruct impact investment due to divergent expectations (Glänzel & Scheuerle, 2016). In the context of South Africa, lack of education is a common issue (Littlewood & Holt, 2018). However, entrepreneurs rely on existing social capital or the creation thereof through networks, entrepreneurial traits, and knowledge of markets and problems to create ventures (Ardichvili et al., 2003; Littlewood & Holt, 2018). It may be argued that a lack of business education will be a moderating factor in the success of a venture, as a contextual understanding of business fundamentals would be of benefit. This perspective was also argued by funders, while the literature indicates that business education may be essential in enabling social entrepreneurs to navigate the complexities of social and economic imperatives (Hlady-Rispal & Servantie, 2018).

6.3.1.3 External enabling factors in social entrepreneurship

The impact investing industry is expanding (Höchstädter & Scheck, 2015). Added to this, BBEE funding and various sources of targeted corporate philanthropy are common in the South African context (Littlewood & Holt, 2018). Legislation targeting empowerment of previously disadvantaged groups is creating closer collaboration with the social sector

(Holt & Littlewood, 2015). The study finds that various sources of seed and sustaining funding are available in the industry and that mutually beneficial partnerships are often created with funders. Funders are also willing to support and build organisations to become self-reliant, and do this by providing them with mentoring and business model support. The literature indicates that the creation of strategic partnerships are emerging in the South African context and supports the notion that mentorship is being offered in support of sustainability (Lall, 2017; Littlewood & Holt, 2018). The creation of cross-sector partnerships and value sharing networks are enabled when reciprocity is prevalent in the value network (Hlady-Rispal & Servantie, 2018).

Partnerships emerge in this study as strong enabling factors, where synergies in terms of value creation are found in the mutual extension of organisational capacities and knowledge transfers. This aspect aligns with the literature from both an entrepreneurship and social entrepreneurship perspective, where it is indicates that partnerships are instrumental in the identification of opportunities and the creation of value networks, as well as for value exchange, which may take the form of extended legitimacy and competencies (Ardichvili et al., 2003; Hlady-Rispal & Servantie, 2018; Verreynne et al., 2013)

6.3.1.4 Internal enabling factors in social entrepreneurship

It emerged from the study that self-effective leadership can mobilise resources and other stakeholders towards finding solutions to problems through the belief in the organisation's vision and mission. This is also a key enabling factor in social entrepreneurship. It was indicated that this belief is borne out of contextual embeddedness of leaders and followers alike. This finding is supported by the literature, which indicates that opportunities emerge from a shared vision that is embedded in the context, as it allows acceptance of top down decision making to flow more freely in the organisation (Verreynne et al., 2013).

Internal enabling factors also include entrepreneurial skillsets and the willingness of leadership to invest time and energy into the social enterprise. The level of experience with social entrepreneurship, both that of the leader and of the organisation, also emerged as a key enabling factor. These findings are supported by the literature, as was described in reference to internal constraining factors (see 6.3.1.2), where the lack of these skills emerge as constraining factors.

6.3.2 Thoughts on the context of stakeholders in opportunity evaluation

The research found that social entrepreneurs include multiple stakeholders in the evaluation of opportunities. Further, most indicated that this was mandatory, as it provides for broad support of the organisation and thus contributes to the sustainability thereof.

From the literature it emerges that the concept of embeddedness presupposes that the agent, or social entrepreneur, cannot be separated from the context. From this point of view, social entrepreneurs that are highly embedded may have access to resources that enable the sustainability of the organisation during start-up, formalisation, and scaling (Mair & Martí, 2006; Perrini et al., 2010). Due to resource constrained environments, social entrepreneurs involve a broad spectrum of stakeholders to extend networks, create partnerships, access capabilities, and garner support for the intervention in order to unlock valuable opportunities (Di Domenico et al., 2010). Bricolage (see 6.2.4) requires the application of at-hand resources in innovative ways in order to find solutions to problems or create opportunities (Servantie & Hlady Rispal, 2018). These factors presuppose that the inclusion of multiple stakeholders implies that multiple resources and opportunities are available to social entrepreneurs during the evaluation of opportunities for social enterprises.

Further to this, the literature indicates that social firms that adopt a market learning approach, which includes learning from beneficiaries, funders, employees and competitors, is likely to provide social innovations that may lead to a competitive advantage (Jayawardhana & Weerawardena, 2014). Interestingly, the study finds that the key beneficiaries mentioned by social entrepreneurs include all these groups, other than competitors. It may be suggested that social entrepreneurs can benefit from competitor analysis in the evaluation stage, when seeking innovation to create a sustainable venture. This premise is supported by a finding of the research, where funders regularly compare business models of social enterprises on order to gauge the potential of success before investing.

The research indicated that collaboration is enabled through dialogue, with many of the social entrepreneurs indicating that they applied this tactic in diffusing tensions and garnering support for their ventures during the evaluation stage. The literature supports this finding, indicating that persuasion is applied as a tactic in which negotiation and re-negotiation provides for the systematic resolution of structures of resistance to the social mission, and thereby establishes legitimacy for the organisation (Di Domenico et al., 2010).

6.3.2.1 Beneficiary and community influences

Beneficiaries and the community emerged as key stakeholders to social entrepreneurs, and were indicated to affect opportunity evaluation by directly influencing the impact value chain, and especially the activities and outputs of the organisation. In support of this finding, the literature indicates that the ability of social entrepreneurs to predict the requirements of beneficiaries is linked to the scale and depth of impact. The benefits that the organisation create for society is thus to be integrated in the social value proposition through the outputs of the organisation (Hlady-Rispal & Servantie, 2018). Organisations that are able to learn from stakeholders in the value network will affect the evolution of the theory of change towards social value creation (Jackson, 2013).

A further finding that emerged from the study is the requirement that beneficiaries and the community need to be included in the evaluation process, as this creates a sense of stewardship through which they become resources to the organisation. Reciprocity of this gesture was also indicated as required by the social entrepreneur. The literature indicates the importance of establishing legitimacy, as it unlocks resources and collaboration which are likely to contribute to an organisation's sustainability (Stephan et al., 2016). Where value is readily exchanged, an environment rich in reciprocation is created, which in turn is conducive to deeper collaboration (Hlady-Rispal & Servantie, 2018). Developing and sustaining mutually beneficial relationships with the community contributes to the success of the organisation. This relationship is further enhanced when the partners are sourced from the community itself (Joyce & Paquin, 2016).

Finally, the study found that beneficiaries and the community may be a potent source of innovation. Linked to the previous findings in the literature, innovation is correlated with bricolage and is effected through networking with strategic stakeholders (Servantie & Hlady Rispal, 2018). It further indicates that the removal of social constraints in a community is linked to creating impact, indicating that an understanding of constraints is an essential precondition (Stephan et al., 2016).

These findings indicate that beneficiaries and the community impact on the creation of social enterprises in that they often become a valuable resource for the organisation through support and value exchanges through reciprocity. Beneficiaries and the community are able to affect the impact value chain through articulating their needs and requirements and, in that way, impact on the outputs of the organisation. These processes then enable the required innovation to effect social value.

6.3.3 The context of funding of social enterprises

The research found that social entrepreneurs and funders alike value social and financial performance data in the securing of funding. Participants highlighted the complexities of measurements of especially social performance, which in the investment sector is not well understood due to the non-monetary nature of the measurements. This finding is widely supported by the literature which indicates that funders typically enforce measuring practices on social enterprises with the aim establishing legitimacy for their investments, and often dictate measurements unsuitable to the organisational context (Molecke & Pinkse, 2017). Due to the longer time periods required for social impacts to become evident, measurements are subject to the same time delay. This is likely to impact on the views funders hold of the social enterprise and its investment attractiveness (Yunus et al., 2010).

Social entrepreneurs indicated that they have a desire to be able to tell the stories of their social successes yet are typically constrained in measuring their outcomes due to resource constraints. In the absence of performance data, as is especially the case with early-stage organisations, social entrepreneurs make use of their vision and mission and the strength of their theories of change to persuade investors to invest. Although this study did not find literature on the evaluation of social enterprises in their early stages by investors, the interrogation of the theory of change as evaluation tool is indicated as potentially improving the measurement of impacts in the impact investing industry (Jackson, 2013). Tensions develop between funders and social entrepreneurs when funders seek short term gains out of a misunderstanding of the context of social entrepreneurship. Also, due to a resource-constrained environment, social enterprises also tend offer returns to investors that are lower than that of commercial entrepreneurship.

It emerged from the research that an organisation is considered attractive to invest in based on certain business fundamentals, which include its capacity to generate sustainable revenues based on the marketability of the products and services it offers. Loan capital providers indicated that they focus on the five C's of credit (character, capacity, capital, collateral, and conditions) to ensure that loan terms are met. In the early stages of organisational development, funders judge, over a period of time, progress made in the organisation in terms of establishing business fundamentals.

While government featured as a funder of many of the participants' organisations, the requirements surrounding government funding was indicated as burdensome and taxing in terms of the time and energy it claimed from the social entrepreneur to initiate and manage. This was also indicated to impact on opportunity evaluation, as the timeframe for funding availability cannot be accurately determined.

6.3.4 Conclusion of research question 2

Figure 9 depicts the opportunity evaluation and creation process, seated within the organisational context, with positive and negative intervening variables impacting on the quality of the context indicated in the dashed blocks.

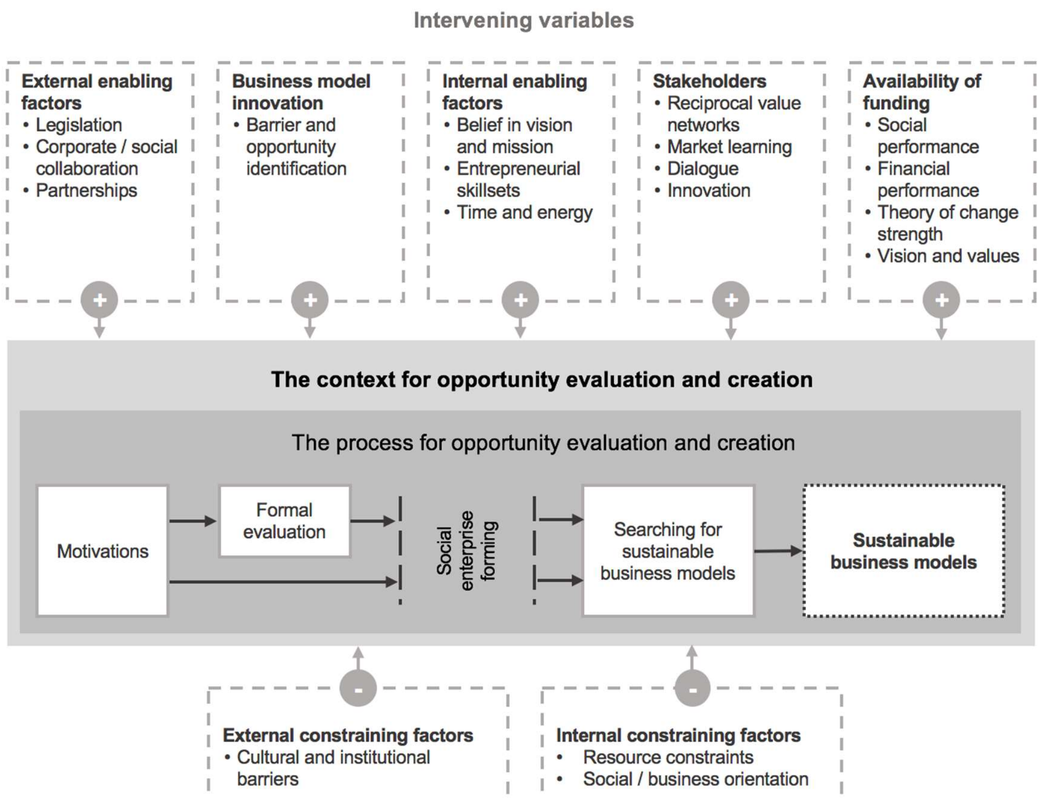

Figure 9: The contextual influences on the opportunity evaluation process

The context in which opportunity evaluation is undertaken emerged as a central theme in the research. Internal and external enabling and constraining factors, along with the impacts of stakeholders and the context of funding was identified to impact on the evaluation. Business model innovation arose as an enabling dynamic in overcoming constraining factors.

6.4 Discussion: Research question 3

How do social entrepreneurs mitigate risks in the opportunity evaluation stage of social enterprise creation?

The purpose of this question is to discover the strategies that social entrepreneurs employ during the evaluation stage to mitigate risks with regards to the future sustainability of the social enterprise.

6.4.1 Risks considered in opportunity evaluation

Verreynne, Miles, & Harris (2013) indicate that social entrepreneurs encounter two main types of risk, one being financial and the other the possible failure of the organisation. Weerawardena & Sullivan Mort (2006) indicate that risk management is interlinked with the creation of social value. Aligned with the literature, the study finds the main risks cited by social entrepreneurs to include financial risk, product-related and product/market fit, impacts, people, as well as unforeseen eventualities. These risks were not, however, widely assessed by all in the study. The literature further indicates that risk management is centred on ensuring the sustainability of the social mission, and thus the viability of the business model is of critical concern (Weerawardena & Sullivan Mort, 2006). Social enterprises require careful financial management along with the targeting of viable markets (Davies et al., 2018). Linked to the sustainability of social enterprises are their ability to generate revenues from the sale of products and services. Social entrepreneurs thus mitigate risks to the organisation by addressing economic, institutional, and social barriers to the entering the market. Economic entry barriers include product and cost-related advantages, capital requirements, and investments (Robinson, 2006).

The research indicated that formal or conscious risk management was not practiced by most of the participants interviewed. This may be due to the dominant bricolage and effectuation approaches used in the evaluation of opportunities and viable business model search behaviours. The literature indicates that, to enable the organisation to sustain its operations, social entrepreneurs engage in affordable loss strategies that include especially incremental implementation (Servantie & Hlady Rispal, 2018; Verreynne et al., 2013). This is also aligned with the processes primarily employed in the evaluation of opportunities (see 6.2.4). In this regard, evidence from one participant indicated that scenario analysis was undertaken to evaluate possible failures and put risk mitigation strategies in place. Despite this finding, many of the participants indicated that they employ self-monitoring to track progress and provide corrective action towards the goal of sustainability. This likewise aligns with the literature, which indicates the importance of monitoring in decision making and accountability to stakeholders (Arena et al., 2015; Lall, 2017). The approach to self-monitoring can also be correlated with that of piloting and lean-start-up (see 6.5.3.2).

6.4.2 Financial risk mitigation strategies

Financial performance measurement is considered rudimentary, and is understood by most in the social entrepreneurship industry (Lall, 2017). However, due to the instabilities of the various sources of revenue, social entrepreneurs find it hard to make reliable forecasts (Weerawardena & Sullivan Mort, 2006). From this perspective the study finds alignment with the literature (also see 6.5.1.3). Forecasting of financial requirements was the most frequently applied methodology, used to mitigate financial risk with participants. Almost all participants indicated that this task was undertaken with some form of formality, while for experienced entrepreneurs it came intuitively. This latter finding is aligned with the literature, where it is indicated that the use of causation logic, which are characterised by planning and forecasting, are more prevalent with experienced entrepreneurs (Servantie & Hlady Rispal, 2018). The research further found that financial forecasting provides significant advantages in the mitigation of risks, as they are effective in providing information on financial requirements and strategies required for sustainability. Financial planning is also used to manage organisational risk during the operational phase, and for this reason these practices frequently form part of the funder’s requirements. The literature supports these findings and further indicates that social entrepreneurs have less varied access to funding instruments, and are less able to decommit resources once committed (Weerawardena & Sullivan Mort, 2006). Many of the entrepreneurs interviewed indicated that short term financial forecasting is used in the piloting phase due to uncertainties of the business model design (see 6.5.3.2 for more detail on this process).

6.4.3 Impact risk mitigation strategies

The literature indicates that program design commences with the identification of problems which then drives the formulation of a theory of change. Following a certain period of time, the effectiveness of the theory of change is tested through the use of impact measurement methodologies (Rossi et al., 2004, Chapter 2). This logical chain of activities explains why the research found that early-stage organisations are unable to generate impact measurements due to their theories of change being unproven. This also presupposes that mission requirements are unknown (see 6.5.3.2). It was further found that impact forecasting is not generally undertaken in the industry at any stage.

Despite this, the forecasting of outputs (which may or may not lead to impacts) was however common, and was especially driven by reporting requirements. The reason for this finding was due to the connection between financial and output forecasts. The literature supports this finding, indicating that outputs are controlled by the organisation and are easily measured. By contrast, however, impacts are more subjective due to the difficulty involved in isolating them in the complex social systems that impacts manifest (Molecke & Pinkse, 2017).

Further emerging from the research was that social entrepreneurs managing operating ventures indicated impact measurements to be expensive and time intensive and, for this reason, not generally practiced. The literature supports this finding, indicating that social enterprises typically only adopt measures when there is sufficient reserves available from a previous year of operations (Lall, 2017). This also implies that early-stage originations that are still striving towards viability will be severely restricted in being able to measure performance and provide the necessary data for learning loops, as is required by the lean start-up approach (see 6.5.3.1).

Also emerging from the research is that alternative methods such as Lean Data and the B-Corp assessment provide less resource intensive means for social entrepreneurs to forecast and measure impacts, and that they may thus be of use in impact risk mitigation. Grieco, Michelini and Iasevoli (2015) indicate that very few assessments are available for prospective impact assessment, citing standard social impact assessments as a possible tool. However, this tool requires both specialists and considerable financial resources to implement, which typically disqualifies it for use by nascent social entrepreneurs. Jackson (2013) proposes interrogating the theory of change as a more suitable way of mitigating risk in the impact investment industry. This approach is more aligned with program design and interrogation of the dynamics of the change pathways suggested by the theory, which include the relevance and accuracy thereof as well as unforeseen impacts and the presence of barriers to change. This lends further credence to the importance of creating theories of change and its subsequent testing, as opposed to impact forecasting as a way of mitigating risk of social outputs being unsatisfactory or not meeting cost-benefit criteria. This latter point can be addressed by complementing the business model design with that of the theory of change (see 6.5.3.2).

6.4.3.1 *Beneficiary needs assessments and participatory design as risk-mitigating strategy*

The research showed that some participants and funders favour beneficiary needs assessments and participatory design for its ability to elucidate information on the targets and their needs prior to the design of interventions. It further established that the process moderates the effects of, and risks associated with emotionality and bias in social entrepreneurship. The literature indicates that community involvement is an imperative, as resistance to any interventions or organisations may occur (Lanteri, 2015). Community engagement is also indicated to mitigate the risk of a lack of access to networks in the community, which is a barrier to entry, where access to business, political, social and labour networks are typically required (Germak & Robinson, 2014). Needs assessments are often a source of innovation, as a top-down approach to intervention design may result in a single way of executing it. Participatory influences provide access to context, values, and needs that enable designers to access pre-existing solutions and strengths in the community (Stephan et al., 2016). Communities should also be able to influence the theory of change to enable them to have their needs and future interests met (Jackson, 2013).

Beneficiary needs assessments were indicated to be time and money intensive, and for this reason they are often not fully completed. The literature contains more information in this regard, indicating that many months could be spent on the process. While this would increase the resource intensiveness of the process, beneficiary needs assessments should be tailored to suit the intervention (Rossi et al., 2004).

The inclusion of beneficiary needs assessments was idiosyncratic to the social entrepreneurs interviewed, as well as to the nature of their organisation’s interventions. It emerged that some considered the process an imperative whilst others adopted a top-down approach. This suggests that the process is to be included in the evaluation of opportunities where the needs of beneficiaries are not well understood and where a theory of change has not been formulated. Another facet of this approach is that it should be tailored to suit the complexity of the social networks and the impacts being sought.

6.4.3.2 *Market/benefactor understanding and market creation as risk mitigating strategy*

Market creation and development was highlighted in the research as being linked to the sustainability of the organisation, and techniques such as creating a demand for products where it didn’t exist before, in order to effect social change, was mentioned as a risk mitigating technique. The literature supports this finding, indicating that knowledge and understanding of the markets contributes to the success of the venture (Ardichvili et al., 2003). Where social enterprises are market-facing, inertia in the market is to be overcome to ensure customers are drawn to the value offerings. This presupposes the requirement for effective marketing (Davies et al., 2018). Deeper analysis reveals that social entrepreneurship value creation occurs as a result of mobilisation towards a cause, and that this firstly requires awareness of the cause (Zeyen et al., 2013). The literature further indicates that opportunities can either be discovered or created. As such, the creation of markets are supported by the prospect of opportunity creation through radical innovation (González et al., 2017). Dew, Read, Sarasvathy, and Wiltbank (2011) have identified a number of market transformation processes that allow expert entrepreneurs to conceive of previously unimagined markets, indicating that methodologies are available to social entrepreneurs to create markets for products and services where conventional wisdom suggests they do not exist.

The research further indicated the importance of gaining an understanding for the open market. Products and services offered by large corporates are often sold at lower cost due to economies of scale, and social enterprises cannot compete against this. This highlights the requirement for bespoke, niche products and services that are to be developed to fill a specific market demand, or for those that do not exist in the market at the price being offered. One way suggested by participants to effect this was to leverage the value proposition of products or services being produced in a social entrepreneurial environment. This finding is supported by the research that indicates that the leveraging of sustainability in the selling of products, which may or may not be niche products, are marketed as sustainable to provide a compelling value proposition (Hahn et al., 2018).

Another finding from the research was that the processes of market evaluation and of creating an understanding of the market, e.g. its segments and resultant marketing implementation, are not well practiced. This view was also echoed by funders. Given the findings in this section, social entrepreneurs could benefit from an improved understanding of the ability of their products to penetrate their target markets, and may find value in the use of techniques such as market creation. Another example of this process being neglected also emerged from the research, resulting in a failed product. In this case the product was being piloted and negative feedback was being received. The use of user-centric design methods (see 6.5.3.1) is suggested as a way to mitigate these risks, occurring and speeding up the process of product development.

6.4.3.3 The importance of human resources in social value creation and the mitigation of risks associated with attrition

It emerged from the research that employee attrition is a common theme that is perpetuated by both a lack of opportunities and below market remuneration. Organisational capabilities are lost when employees leave, which affects the ability of the organisation to generate social impact. Social entrepreneurs indicated that they attempt to mitigate employee attrition by providing as much opportunity for development and benefits in the organisation as possible. Some employees are willing to work for free due to these factors.

These findings are supported by the literature, which indicates that human resources are a main source of tension in social enterprises (Siegner et al., 2018). Risk mitigation strategies include the appointment of employees who may be attracted to the social mission and are thus motivated to become volunteers or trustees (Davies et al., 2018; Weerawardena & Sullivan Mort, 2006). The development of employees and the provision of benefits are two more aspects that both emerged from the research and is supported by the literature (Bruneel et al., 2016; Smith et al., 2013). Based on institutional theory, the literature further points out that hiring employees that hold neither commercial nor social logics, and then indenturing both logics, is the best approach (Smith et al., 2013). Here the literature supports a further finding of the research, namely that the hiring of inexperienced employees was found to be the favoured approach, and one that offsets the costs of human resources in a resource-constrained environment.

Pertinent from these findings is that risk mitigation strategies are available for attrition of employees. Such interventions impact on opportunity evaluation, however, in terms of hiring practices. Employees are to be sourced that associate with the vision of the organisation, implying that they too should be contextually embedded. Providing training in both commercial and social logics, as well as other benefits, need to be planned for in the evaluation stage.

6.4.4 Organisational credibility and legitimacy as a risk mitigating strategy

In terms of establishing credibility, a particular focus was evident on the reputation of the social entrepreneur on the one hand, and on establishing credibility with external parties on the other. However, a pattern emerged in terms of the background of social entrepreneurs, where a distinct beneficiary-oriented focus being observed with those from a non-profit background. The concern of commercial background entrepreneurs to establish legitimacy with funders is shared by social background entrepreneurs. This approach aligns with institutional theory, in that the alignment of stakeholders with the mission creates legitimacy for the organisation and enables easier access to resources (F. M. Santos, 2012; Stephan et al., 2016). Funders shared a similar view, namely that organisational capabilities, performance, ethics, and governance constitute key areas that establish legitimacy and credibility for organisations. The literature indicates that legitimacy is established when values are consistently aligned with the practices of the organisation. An organisation's ability to learn from its context, build from this, and circumvent the constraints they hold is a further indicator of legitimacy (Davies et al., 2018). This aspect also aligns with stakeholder engagement as a means to learn from the context in which organisations operate (Servantie & Hlady Rispal, 2018).

A more distinct focus for social background entrepreneurs on establishing legitimacy with beneficiary stakeholders emerges from the research, which is indicative of commercial background entrepreneurs being overly focussed on funders as stakeholders. This aspect is likely to negate the impact that organisations are able to create, presupposing that a more balanced view is to be applied by them.

6.4.5 Governance as risk mitigation strategy

Social entrepreneurs implement governance to manage risks associated with the operation of social ventures that may impact on the sustainability of the organisation. The literature indicates that governance dictates all areas of the organisation's operations, including financial and social performance and the balance of activities between these two directives. Governance is held as vital for hybrid organising by directing strategies for managing tensions that may arise between these two imperatives in social enterprises (Ebrahim et al., 2014). Organisations that have formalised governance procedures are able to garner legitimacy and are thus able to attract resources (Perrini et al., 2010). The implementation of governance plays a critical role in the management of stakeholder expectations and addresses the requirement of accountability to these stakeholders (Bruneel et al., 2016). Three central areas of control and performance measurement in social enterprises include financial regulation, social effectiveness results, and institutional legitimacy (Bagnoli & Megali, 2011). Further tot this, the effectiveness of management in internal and external processes, which may include accountability to beneficiaries are critical areas of performance measurement (Arena et al., 2015). Despite these findings, no evidence was provided of governance being a primary concern in the early stages of the organisation's existence. This may be because of the business model still developing, and because governance procedures and policies would be directly linked to activities required by the business model. This being said, governance is also directly linked to, and impacts on, the vision and mission of the organisation, and should thus be formulated, at least to some extent, during the evaluation stage. This would serve as a guide for the design of the business model, especially in terms of value creation and value capture.

6.4.6 Conclusion of research question 3

The framework depicted in Figure 10 frames the process of opportunity evaluation and creation within risks to the early-stage and operating venture. The risks that constellate to impact on the overall organisational risk environment are shown in solid blocks. Relevant risk mitigation strategies are indicated as intervening variables into the effect of these risks on overall organisational risk. Intervening variables are indicated in dashed blocks.

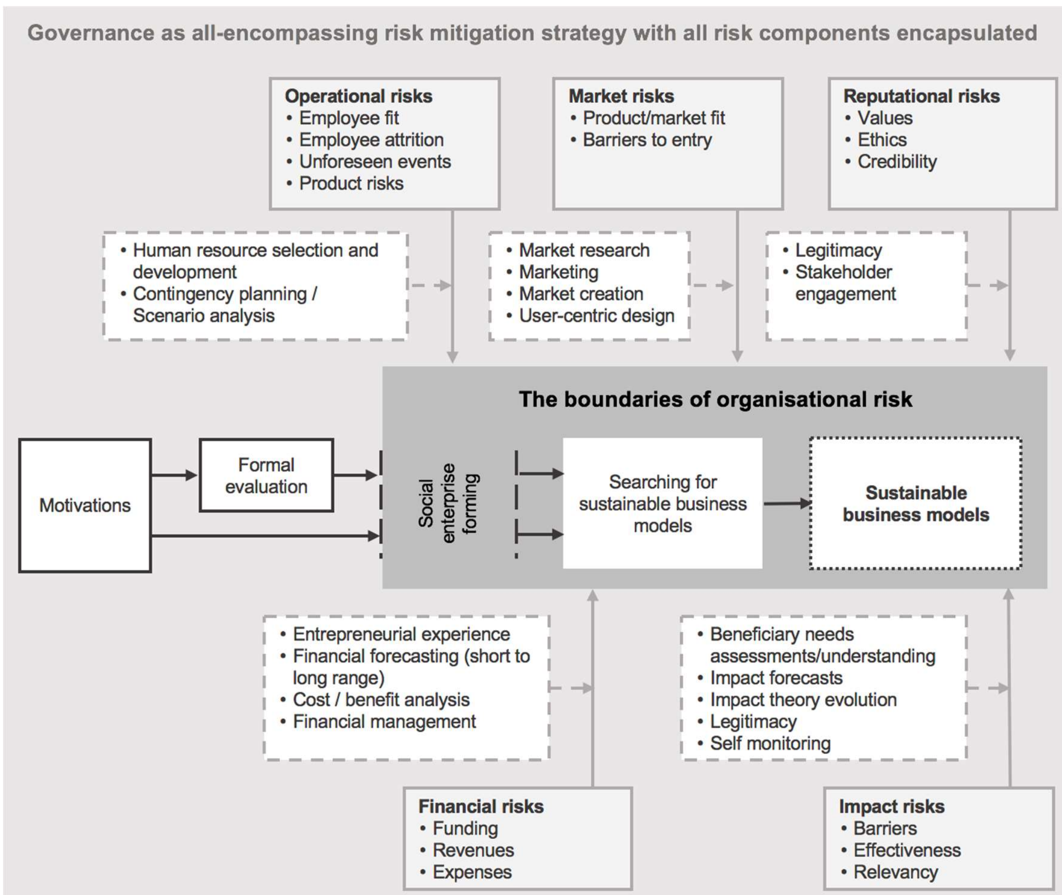

Figure 10: Organisational risks and risk mitigating strategies

The risks that are considered by social entrepreneurs in the opportunity evaluation, including viable business model search behaviours, emerged as those that will impact on the sustainability of the organisation. Varied risks and related risk mitigation strategies emerged based on five main groupings, namely operational, market, reputational, financial, and impact risks.

6.5 Discussion: Research question 4

How do social entrepreneurs approach business model design when evaluating social enterprise creation opportunities?

This question sought to explore how decisions are made in the process of business model design in opportunity evaluation. It aimed to find how the assignment of available and required resources takes place, as well as how the required business activities are determined in the context of social entrepreneurship. Added to this, the creation of the social value proposition, the value created through the economic value proposition, as well as the nature of trade-offs emerging between value creation and value capture were also of interest. This question also sought more information on the nature of the social value proposition itself. To what extent it is considered to include greater value sharing, related to indirect impacts, which may impact on the trade-offs being considered?

A second element of this research question involved exploring of the use of experimental and user-centric design methods, which include the small scale piloting of an idea that may be used to develop, measure and improve the effectiveness of the business model (Wilkinson & De Angeli, 2014). This element of the question aimed to provide answers to how these strategies were applied in the social entrepreneurial context.

The discussion of the findings of this question refers to the economic and social layers of the triple-layered business model canvas as set out in Chapter 2. For reference, the two layers have been synthesised into an overlapping or unified business model canvass as indicated in figure 11. Here the economic layer components are indicated in black text with the social layer in grey text. This depiction is intentional as these components are often indistinguishable, or definitively different depending on the specifics of the social enterprise's business model and if beneficiaries overlap with customers.

<table>
<tr><td>Partners</td><td>Activities

Governance (org structure)</td><td rowspan="2">Economic & Social value propositions</td><td>Customer Culture</td><td>Customer</td></tr>
<tr><td>Communities</td><td>Resources
Employees</td><td>Channels
Scale of outreach</td><td>End user (beneficiaries)</td></tr>
<tr><td colspan="3">Costs</td><td colspan="2">Revenues</td></tr>
<tr><td colspan="3">Social impacts</td><td colspan="2">Social benefits</td></tr>
</table>

Figure 11: The overlapping economic and social layers of the triple-layered business model canvas (adapted from Joyce and Paquin [2016, p. 1480])

The discussions in this section are also focussed on the idiosyncrasies specific to the design of social enterprise business models in an opportunity evaluation context. Significant research exists on the use of the business model canvas, and deliberation of this practice falls outside the objectives of this study.

6.5.1 Business model design in social enterprise creation

The construct of sustainability permeated much of the discussions around the business model, with participants indicating that it is interlinked with the business model being able to create, deliver, and capture value. The value creation and capture mechanisms are enabled by the social and economic value propositions. In terms of social enterprises, an emphasis on financial sustainability emerges from the literature, indicating that it is required to deliver the social objectives of the organisation (Hlady-Rispal & Servantie, 2018; Lüdeke-Freund et al., 2016). Linked to this, the construct of sustainability constitutes the organisation’s ability to create long-term benefits for society, and do so by becoming independent through combining effective resources and revenues to enable the creation of economic value (Perrini et al., 2010; Weerawardena & Sullivan Mort, 2006). This aligns with the value delivery, value creation, and value capture areas of the business model. The third area of the social layer of the business model is the social value proposition.

6.5.1.1 The link between the business model and sustainability

The research found that sustainable business models are typified by robust business fundamentals, which include an understanding of the market and its potential, how revenues are to be derived from the market and other sources, and how value is to be created and delivered. It was also found that, in order to affect all the aspects of the business model in achieving the vision, it was to be directed by the organisational strategy. The literature indicates that business models need to align profit and the social mission, and should avoid overemphasising either one. Strong alignment coupled with a simple and effective value chain translates into a competitive social business (F. M. Santos & Birkholz, 2015). Business models are not static and require adjustment along with the shifting environment the organisation operates in. Varying circumstances require changes in either the value offerings or the strategy, and with that an overhaul of the business model as a whole (Sinkovics, Sinkovics, & Yamin, 2014). This implies that business model design can never be static and that the business model is likely to evolve from first design throughout the search for sustainable business models, and that the objective of achieving organisational sustainability may never be finally achieved.

Funders indicated that planning and forecasting is required to ensure the future sustainability of the business model, and that social entrepreneurs sometimes ignore this requirement. They also highlighted that the design of the business model is sometimes influenced by funders with the aim of enhancing commercialisation of products. Funders further indicated that a useful way of evaluating business models is by comparison with other, similar business models that provide for sustainability. These findings lend credence to the notion that fiscal discipline, along with effective management of the value creation and value capture mechanisms of the business model, is not well practiced in the industry. Social entrepreneurs embarking on opportunity evaluation would be better able to position their organisation for sustainability by a comprehensive design of the value creation and value capture mechanisms of the business model to include near, mid, and long-term strategies, and by focusing on ways to enhance the efficiency of the value chain by drawing on partnerships and leveraging existing competencies.

6.5.1.2 Hybridising the business model

Further to the topic of competencies, the research showed that successful transitions to hybrid models were often typified by the extension being founded in the core competencies of the organisation. These competencies were further found to often reside in the organisation's human resources, and the strength of organisational competencies was stressed as a key success factor in business model design and extension. This finding is supported in the literature, where human resources, coordination abilities, along with organisational knowledge, capabilities, and networks are cited as intangible resources that are instrumental for expansion strategies. It is however stressed that all expansion requires additional resources (El Ebrashi, 2017). This latter point was a common problem for the participants interviewed, with some being able to overcome this by taking steps to re-organise the business structure to suit this requirement. The link between organisational design and the business model is well established in the literature, and F. Santos and Birkholz (2015) indicate that areas such as governance, performance management, and the structure are defined by the way in which value is created commercially and socially. These structures are driven by the risks of mission drift and financial sustainability.

6.5.1.3 Hybrid revenue structures in the business model

Many of the participants interviewed have or were contemplating a transition to hybrid models. This was precipitated by a loss of donor and grant funding that was threatening the viability of the organisation and, in some cases, grant dependencies in excess of 50% was deemed unviable by funders. The literature indicates that securing independent sources of revenue is key to sustainability for social enterprises (Alegre, 2015). The research found that financial viability is of key importance to social entrepreneurs, and can only be ensured through securing multiple streams of revenue which may include profits but also other sources of donations and grants. From the literature, strategies for the securing of sustainability in non-profit organisations abound, which may also be applied by social enterprises (McDonald et al., 2015). Literature specifically addressing appropriate grant dependency ratios could not be found in this study. Conventional logic presupposes, however, that organisations where grants constitute 50% of revenues are likely to collapse when these grants are discontinued, though this would likely remain contingent on organisational specifics.

One moderating factor mentioned by participants was that certain revenue streams are attached to specific outcomes by funding organisations and are thus restricted in use. The literature indicates that this factor may in turn be moderated by seeking funding that is aligned with the vision of the organisation (Hlady-Rispal & Servantie, 2018; McDonald et al., 2015). The restricted nature of donor and grant funding thus presupposes that profits are unrestricted in their use. Participants indicated that unrestricted revenues should be applied to the core functions and the overheads of the organisation where these are not supported by funders. Another aspect is the ability of the organisation to commensurately remunerate its staff, where staff retention was indicated to be linked to the sustainability of the organisation and the creation of social value (see 6.5.2.2). The literature indicates that strategies are available for managing these types of tensions in social enterprise management, which include the acceptance of tensions, temporal separation, and/or structural separation of resources (Siegner et al., 2018). This implies that in the case of the use of revenues, assigning sustainable sources of income, which more likely will be from profits or long-term funding, to key areas linked to the sustainability of the organisation, is an appropriate strategy. Similarly, the temporal separation between providing market related remuneration to employees and the inevitability of staff leaving the organisation is equally appropriate, given the resource constrained environment these organisations operate in.

6.5.1.4 Value capture and the trade-off with social value creation

Little evidence emerged from the research in terms of trade-offs between value capture and value creation. Most of the social entrepreneurs were more readily seeking financial sustainability in order to effect the social objectives of their organisations. An emphasis on offsetting sustainability risks posed by donation and grant dependency was evident. However, the research found that social entrepreneurs were grappling with finding profitable markets that are aligned with the respective visions of their organisations. The literature indicates that possible factors that might be in operation when these considerations surface include the legitimacy of the organisation, stemming from its self-identification with the need to create social value. Another possibility that exists is that legitimacy is driven by the stakeholders they represent and engage with (Smith et al., 2013). The management of internal demands and external stakeholder expectations is cited in the literature to create tensions in social entrepreneurship. Governance structures that represent the hybridity of the organisation and its varying stakeholder demands is recommended for sustainability (Bruneel et al., 2016).

Despite the previous findings, funders indicated that trade-offs develop between impact and profits, especially in the early stages of the organisation. Funders indicated that, at times, they are satisfied with impacts realising in the medium term, in expense of profits in the near term. This is indicative of funders seeking the sustainability of their investments with a promise of social value creation in the future. The literature indicates that strategies such as temporal separation may be of use to social entrepreneurs in ameliorating tensions that develop when strategic plans are composed for achieving sustainability in the long-term (Smith et al., 2013).

The research found that during the evaluation stage, tensions emerge in aligning the social mission of the organisation with the need for financial sustainability. Entrepreneurs undertaking opportunity evaluation need to consider the impact of markets and beneficiaries on governance structures, near and long terms strategies, and business model design.

6.5.1.5 *Value creation as a means to sustainability*

The creation of value in resource constrained environments and markets were indicated to be enabled through innovation. Social entrepreneurs create multiple layers of value through the social and economic value propositions or through the reduction of costs. Participants indicated that enabling this requires a good understanding of the varied market segments being targeted. The literature indicates that social entrepreneurs focus on the inclusion of multiple stakeholders into the value networks that they establish. The processes which drive this are innovation and change (Hlady-Rispal & Servantie, 2018), with innovation correlated with bricolage as an entrepreneurial process, and is considered integral to the creation of value (Servantie & Hlady Rispal, 2018).

The research highlighted the importance of partnerships in creating value and capacity in the organisation, and evidence was provided of partners embedded within the business model value chain. The literature indicates partnering to be central to the creation of value in social entrepreneurship, where competencies and resources are shared collaboratively. This type of collaboration results in organisations not having to develop these strengths and networks on their own, thus accelerating the organisation’s progress towards sustainability (Yunus et al., 2010).

6.5.2 Social value creation

6.5.2.1 *Strategising for the long term in social entrepreneurship*

The research found most participants agreeing that the process of social entrepreneurship, and in particular social change, is a slow and systematic process. Interventions typically require time to develop and build momentum, an aspect that directly influences the scale of impact. This is due to the fact that social enterprises are limited by their capacity to target specific beneficiaries, the latter of which require a long-term commitment to effect tangible impact. The literature indicates that the time for impacts to manifest in society should be integrated into the strategy of the organisation and the prioritisation of activities (Lüdeke-Freund et al., 2016). The requirement for organisations to be designed such that long term benefits are realisable during the evaluation stage is also evident from the literature (Perrini et al., 2010). Problems which cannot be addressed at root cause in the near term require a long term commitment to enables them to be continuously addressed (F. M. Santos, 2012). These findings presuppose that entrepreneurs undertaking opportunity evaluation should strategise for social outputs to be targeted and sustainable over the long term, where continuity of interventions are required to ensure impacts are tangible.

6.5.2.2 The importance of human resources as a means to social value creation

The research indicated that human resources are the main vehicle through which the social enterprise creates value for society, and that employees embody the organisation's capabilities. The literature indicates that one of the key aspects of building capacity that leads to effective social change is through organisational learning that is embedded in the context. Organisations entering the social sphere face complex and unknown contexts and require time to learn from localised knowledge and understand how to exploit local capacity. For these reasons, social entrepreneurs involve those that are affected by the interventions through the process of adapting their approach in the design therof (Stephan et al., 2016). The strength of an organisation's capabilities is amplified when it possesses the ability to leverage and create new networks. This form of social capital creation is often facilitated by the organisation's employees (Lanteri, 2015; Verreynne et al., 2013). Human resources, which include the skills and knowledge of employees and volunteers, is cited as an intangible resource that is indispensable for the sustainability and growth of the organisation. Further to this, employees may also possess market and local contextual knowledge and may thus be a source of intrapreneurial innovation (El Ebrashi, 2017).

These factors indicate that human resources are indispensable in the value chain and that the selection (see 6.4.3.3) and deployment (see 6.5.1.3) of resources should be carefully considered in the design of the business model. For entrepreneurs undertaking opportunity evaluation, the identification of resources, and with that human resources, that are suited to the long-term goals of the organisation is integral to the process (Perrini et al., 2010).

6.5.2.3 The importance of scaling of impact

Scaling was indicated by participants as integral to the need for wider impacts, implying also that current interventions are not viewed as sufficient. Scaling was further specified as requiring internal capacity to effect. The literature supports these findings, indicating that scaling is often required due to the extent of the problems social entrepreneurs are aiming to address, whereas the interventions are typically small scale, only creating limited and focussed impact in a larger ecosystem (F. M. Santos, 2012). Scaling is required so that the base of beneficiaries is increased to improve the service delivery to current beneficiaries. Enabling scaling requires funding, human resources, and suitable and controllable supply chains. One disadvantage of scaling is that social enterprises run the risk of losing their identities through the process, and with that their legitimacy

(Davies et al., 2018). Linked to this, it emerged from the research that premature scaling was indicated as a factor leading to failure of a nascent organisation, with the fruitlessness and capital intensity of the process indicated as the modes of failure.

Partnerships emerge as a vehicle through which scaling may be effected, and it was highlighted that scaling may in certain cases have compound effects on impact. The literature supports this finding, also indicating that partnerships are to be values-based to ensure an alignment with the organisational imperatives (Davies et al., 2018). The literature further indicates that small organisations lack market and institutional power, which can only be achieved through scaling up. Market power can of course also become available through multiple partners (Sinkovics et al., 2014). The research further found that funders have a vested interest in the ability of an organisation to scale, as this is an indicator of higher future returns. The literature indicates that business models are scalable when they are replicable, transferable and adaptable to various contexts (Perrini et al., 2010). From these findings it may be proposed that, during the evaluation stage, social entrepreneurs should be searching for scalable business models, as these are likely to provide wider and deeper impacts, and may thus be able to more easily attract investment.

6.5.2.4 The theory of change as starting point to business model design

The theory of change emerged as common theme from most of the social entrepreneurs interviewed as part of the research. It was shown to be developed from association with and a contextual understanding of the problem being addressed. Echoing this result, funders indicated its impotence, and pointed out that root cause analysis and systems thinking was required to construct an effective theory of change. The literature supports these findings, indicating that the theory of change is composed of a set of assumptions about how a specific outcome is to be achieved (Rossi et al., 2004). The assumptions that it is composed of include the influence mechanisms and casual linkages that will effect the desired change. These assumptions can however only be tested against actual outcomes (Jackson, 2013). From this point of view, theories of change should be subject to continuous validation and revision (F. M. Santos & Birkholz, 2015). The assumptions of how the impact is to be effected also provides those designing the intervention with the required outputs, which are also linked to the required activities and inputs (Rossi et al., 2004). In the case of social enterprises, these outputs may be products and/or services that are linked to the creation of social value and are, in some cases, the same products and services that create economic value (F. M. Santos & Birkholz, 2015). Evidence also emerged from the study that social entrepreneurs do not always possess a theory of change, with a funder indicating that it should be the starting point of the creation of social enterprises.

The literature indicates that impacts that are created by social enterprises should be measurable to enable performance measurement, and with that legitimacy of the organisation (Lall, 2017). For impacts to be measurable, factors such as materiality, reliability, comparability, additionality, and universality must be considered (Impact Measurement Working Group, 2014). From the research it merged that funders consider similar metrics indicating that additionality, attribution, and displacement should be considered, along with negative impacts.

These findings suggest that social entrepreneurs undertaking opportunity evaluation should formulate an effective theory of change, which will provide the minimum requirements for the measurability of impact. A theory of change will further provide the required outputs for the creation of social value and for the design of the business model, and as such is indispensable. Although the link between the theory of change and design of social programs is well documented in the literature (Rossi et al., 2004), a direct connection between the theory of change and the design of the business models for social enterprises could not be found in the literature. There are also significant similarities between the theory of change and the hypotheses that are formulated in business model design using lean start-up. This similarity may mean that the social entrepreneurs could combine the social layer of the triple layered business model canvas, with the theory of change as a part of the hypotheses that are tested through the lean start-up method to evaluate opportunities.

6.5.2.5 Value perception

Participants indicated that, due to the social nature of the business models and due to biases formed around the perception of it being charity, several factors emerge in their engagement with stakeholders. Here, beneficiaries demand lower cost due to a perception of it being welfare, stakeholders engage with products and services with a perception of it being lower quality and funders demand of organisations to not be profitable or to have lower cost structures. The literature indicates that very little research has been done on use value in social enterprises, yet that it is important for beneficiaries and consumers alike to recognise the value of the products and services being offered. Use value is cited as being a key concept in commercial entrepreneurship, yet the factors that drive disadvantaged people to perceive value is less understood (Hlady-Rispal & Servantie, 2018). In terms of value perception however, the literature indicates that value perception mismatches result in transaction obstacles where beneficiaries or consumers do not understand the value that is being offered. One way which is suggested by the reserach is in bundling of needed offerings or products with those that are already perceived as having value (F. M. Santos & Birkholz, 2015). Evidence of this being done also emerged from the study. Another avenue that is available to social entrepreneurs are market creation strategies (see 6.4.3.2).

Where opportunities are being evaluated, cognisance of value perception mismatches could allow social entrepreneurs to design these factors into marketing strategies or into the business model, where product or service offerings could be augmented with elements perceived as higher value to address the needs of the benefactors. Marketing strategies should target the perceptions around the value of the offerings where products or services cannot be bundled.

6.5.2.6 The social and economic value propositions

The research found that the social and economic value propositions (where both exist), were indicated to be linked and complimentary and the key enabling factors of social and economic value creation. The economic value proposition unlocks the potential of latent needs in beneficiaries, and through their engagement with the organisation, receive the social benefits that are being created. In some cases, the economic value proposition targets only commercial customers or investors. The social value proposition was indicated to be equally potent in attracting beneficiaries to the organisation yet that it rarely exists singularly. In the literature, the social and economic value propositions are seen as either separate or combined (Hlady-Rispal & Servantie, 2018; Joyce & Paquin, 2016). The triple layered business model canvas provides for a differentiated view on the value proposition. It indicates that the needs of the benefactor is addressed though either economic or social value propositions or both, and that this allows for different customer segments to be separately targeted (Joyce & Paquin, 2016). The research showed that this aspect was well understood and practiced by most of the social entrepreneurs interviewed. The literature further indicates that the social value proposition is unique to social entrepreneurship and that it is meant to invite beneficiaries towards the value the organisation is offering. It goes further to also attract private stakeholders where the organisation's mission is found to be aligned with their social responsibility imperatives (Hlady-Rispal & Servantie, 2018). The social and economic value propositions are is indicated to be the main protagonist elements in the creation, capture and sharing of value in the value network which is established by the organisation. The social and economic value propositions incentivises beneficiaries to engage in the value offering by triggering intrinsic or extrinsic motivators (Stephan et al., 2016).

These findings indicate that social entrepreneurs undertaking a strategic approach to the design of social business models should craft social and economic value propositions as a means to mobilise beneficiaries and commercial clients, if the latter are separate market segments, to engage with the value offerings of the organisation. Cognisance of value perception and the mechanics of the theory of change is required to construct the two value propositions. Compelling value propositions will enable the organisation to widen both economic and social value creation and will in this manner likely be able to attract investment which may be applied to the scaling of impact.

6.5.3 Prototyping and piloting as method to design and test the business model

6.5.3.1 User-centric design and prototyping

Through the study it emerged that the use of user-centric design methods, such as design thinking and lean start-up was prevalent in the social entrepreneurship industry with some organisations actively applying the process for the design of social ventures and their products and services. It further emerged that the process was considered to speed up the process of development and transition to viability. It also emerged that the unintended use of at least part of the process was also prevalent. Here, beneficiary needs assessments (see 6.4.3.1), intensive stakeholder engagement and custom designed interventions are clear examples. The literature indicates that that continuous consultation with the community and beneficiaries and the allowing of these consultations to direct the operations of the social venture is indicative of social entrepreneurs already applying design thinking as a process (Kummitha, 2018). Participatory design allows those doing the design access to innovations emerging from the beneficiaries of the product or services which would not have been available without participation (Wilkinson & De Angeli, 2014). This co-design and/or co-management principle should also be extended to internal stakeholders to increase the effectiveness of the process (Selloni & Corubolo, 2017). Evidence of this occurring was also noted in this study.

6.5.3.2 The use of piloting and links to lean start-up

The study found that most participants undertook piloting as means to evaluate opportunities and to develop viable business models. This was also evident where formal evaluation preceded the forming of the social enterprise and it may be argued that the process of searching for viable business models is a form of piloting. It was found that it involves an iterative process, where requirements for the business model is developed through a testing and feedback mechanism that informs the next step. It was also found that loss is incurred in the process, yet that these losses were accepted as part of the process. The literature indicates that considerable uncertainty and complexity is involved with the launching of a new venture and that piloting may be used to search for viable business models in this context. Piloting can be correlated with the lean start-up approach when experimentation and the learning loop is included in the process, driving the organisation to pivot when the business model and its products and services are tested in the market (Ghezzi et al., 2015). One participant in the study indicated that the learnings from each step are to be documented, citing that valuable data was lost when a team member left the organisation through a piloting experiment, indicating the loss of the learning loop. The process of piloting is synonymous with the lean-start-up approach when the minimum viable product is included in the process (Muellera & Thoring, 2012). Some of the details emerging from the study indicated that this approach was followed, if unintendedly by participants. The lean start-up approach has been correlated with effectuation in entrepreneurship which includes the concept of acceptable loss (Frederiksen & Brem, 2017; Yang et al., 2018). Similarly, effectuation has been found to be applied, along with bricolage, when entrepreneurs find themselves in a situation of uncertainty, where either they do not have expert knowledge or where the environment is unknown (Servantie & Hlady Rispal, 2018). In the cases where this approach was used in this study, these conditions were all prevalent.

Although the value of the lean start-up approach for social entrepreneurship has been established (Semcow & Morrison, 2018), a finding from this study which has not been described in the literature, is how the piloting and lean-start-up approaches are applied in social entrepreneurship. Here, specific reference is made to the design of interventions, where it emerged through abductive reasoning that a process is evident. This process has the following steps:

1. the vision of the organisation is born out of the motivation of the social entrepreneur,
2. the theory of change is generated to enact the vision and exists prior to the piloting of the idea,
3. the outputs of the organisation are formulated from the theory of change (and in some cases a minimum viable product is designed),

4. the business model is created from the outputs using the lean start-up approach (or effectuation), and
5. the vision and theories of change may be revised through the various iterations of the business model.

These findings are of significance as the steps in the process of social venture creation and the gradual accumulation of knowledge, unique to the creation of social ventures, and through the use of lean-start-up, has not been documented. Similarly, the integration of the theory of change in this process has also not been documented (Semcow & Morrison, 2018). However, the integration of metrics is not addressed here, and other approaches may exist to lean start-up in social entrepreneurship.

Also emerging from the research is that piloting is a process that is able to provide a measure of proof of concept both internally and externally. The literature indicates that a fundamental underpinning of the process is that of validated learning (Frederiksen & Brem, 2017). It is thus embraced by funders and is a feasible way of attracting funding to a venture. However, funders cautioned that small scale piloting, where products that rely on large-scale uptake for sustainable revenues, does not prove the concept as large-scale uptake and scale-ability cannot be proven. This aspect can be controlled for in the experimentation by the diversification of pilot tests as is inherent in the process (Yang et al., 2018).

6.5.4 Conclusion of research question 4

This chapter has provided detail on design of business models that ensure the sustainability of the organisation. It further explored the factors that impact on hybridisation and how variable revenues are managed in social enterprises. Organisational competencies and partners emerge as key enabling factors in hybridisation and value creation. Social value creation was indicated to be dependent on the competencies encapsulated by the organisation’s human resources, the strength of the theory of change and the ability of the organisation to access markets through the constructs of value perception and the economic and social value propositions. Further to this, social value creation is to be supported by a long-term strategy supported by the long-term sustainability of the organisation. This due to the requirement for social interventions to be sustained to ensure that systematic changes to the social system take effect. Piloting emerges a preferred, and sometimes unintentional, method for venture and opportunity creation. Augmented by the process of prototyping and design thinking, products, services and business models for social enterprises may be effectively created.

The value of integrating user-centered design processes and learning loops into business model design and evolutions are highlighted.

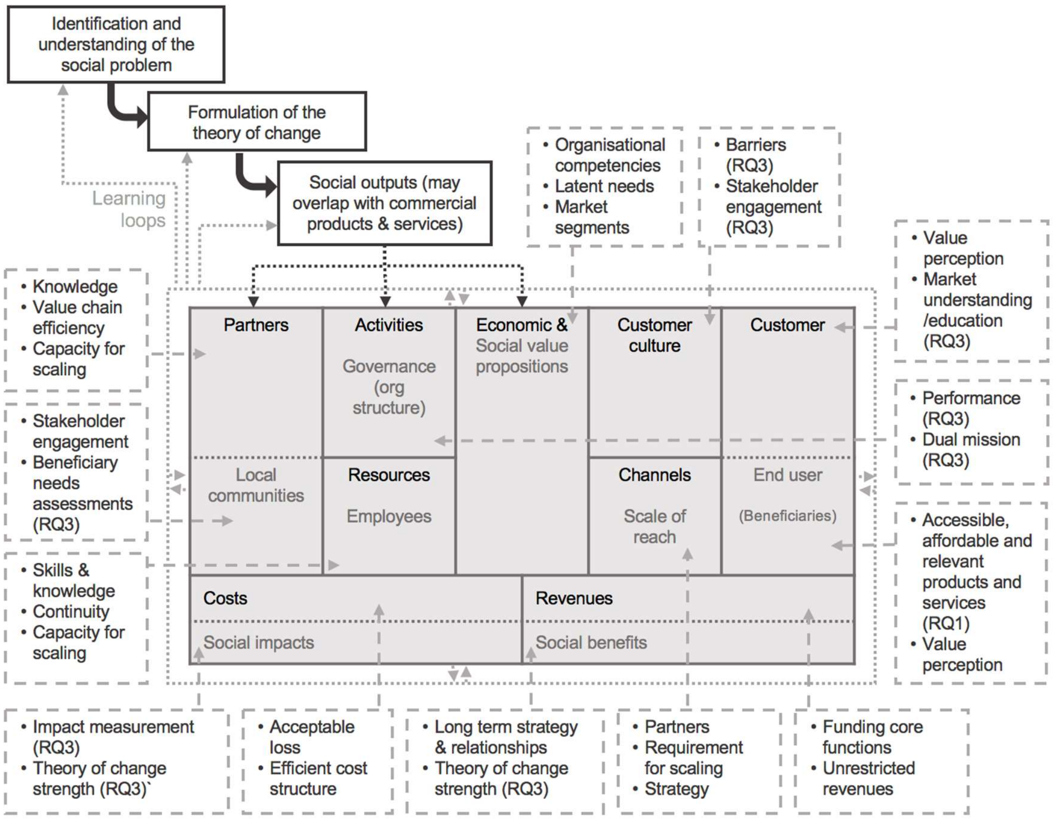

Figure 12: The process of business model design for social enterprises

The framework depicted in Figure 12, provides a broad overview of the application of the business model canvas in the creation of business models for social enterprises. It further shows how the theory of change can be integrated into the process of business model design. Importantly, the process of sustainable business model design is at first experimental and iterative, and secondly, subject to continuous revision even when the organisation has reached viability. To this point, the inclusion of critical learning loops is required for effective revision of the business model. Figure 12 further indicates the critical intervening variables (dashed blocks), as they relate to the various elements of the business model and which impact on the design of business models for sustainability.

6.6 Conclusion of Chapter 6

This chapter has presented a discussion of the findings of this study as it relates to the literature. The research was initiated to gain an understanding of how opportunities are evaluated and created for social enterprises, and this chapter explored how the process is approached, and inquired into the reasons for the approach. It further explored the context in which the process is enacted and the factors that affect the process. It then explored the risks associated with opportunity evaluation and creation, whilst also considering measures that may be applied to mitigate these risks. It finally studied how social entrepreneurs approach the design of the business model and the factors that impact on that process. The findings of this study on the process of opportunity evaluation and creation, contextual factors, risks, and the design of the business model was broadly supported by the literature and conceptual frameworks, depicting the intricacies surrounding each of the main areas of research could be derived. The study also provided an in-depth overall examination and integrative view on the process of opportunity evaluation and creation. In addition to the literature, the study finds how the theory of change, a construct unique to social entrepreneurship, may be integrated into the process of business model design. It further suggests that the process of business model design, now integrated with the theory of change, may be subject to continuous revision to ensure sustainable social outcomes.

CHAPTER 7. Conclusion

7.1 Introduction

The previous chapter related the findings of this study to the literature as reviewed in Chapter 2, in relation to the research questions outlined in Chapter 3. This chapter provides a consolidated view of the key findings. It then explores their implications for social entrepreneurial practice, before discussing the limitations of the research and, finally, closing with a few recommendations for future research.

This study was initiated with the aim of deeper investigation into the process of opportunity evaluation and creation for social enterprises. It set out to take an integrative view on the process and thus explore which processes are applied in the creation of social enterprises, as well as the factors that impact on the process. To create an integrated framework of opportunity evaluation and creation, it also aimed at creating a contextual understanding of the process of opportunity evaluation and creation, so as to allow for greater generalisability of entrepreneurial processes, which are the subject of this research (Garud et al., 2014). It then set out to explore the risks social entrepreneurs encounter in the process of opportunity evaluation and creation, along with the actions that are taken to mitigate these risks. Finally, it was initiated to understand how business models are designed, the processes that are enacted, and the factors that drive decision-making in these processes.

7.2 Research findings

7.2.1 The context and process of opportunity evaluation and creation for social enterprises

The study found that social entrepreneurs enter the process of opportunity evaluation and creation with the aim of creating social enterprises, either from operating non-profit organisations, or with an entrepreneurial aim of creating social enterprises from the outset. Social entrepreneurs from operating non-profits seek out hybrid business models due to the risk of short- and medium-term uncertainties in revenues derived from grants and donations. Driven by the need to ensure the realisation of the social mission, they seek sustainability in revenues by offsetting grant and donation dependency by generating profits from commercial activities. Although a different route is taken, social entrepreneurs who create social enterprises from the outset, similarly seek to effect prosocial change and a vision of a better future for all. Regardless of the entry route, social entrepreneurs proceed with the process of opportunity evaluation and creation with the unified goal of seeking sustainable social value creation. Social entrepreneurs, through their awareness of the requirement to institutionalise long-term interventions to deep-rooted and wide-spread social problems (F. M. Santos, 2012), seek to effect the sustainability of their interventions by ensuring the financial sustainability of their organisations through innovation of the business model, products, and services, and do so with awareness of the organisational context (Perrini et al., 2010).

While this study is based a small sample of social entrepreneurs and funders, it finds confirmation of the distinguishing factors of social entrepreneurship, with a number of unique features identified through the research, such as the theory of change and its link to the business model. Dacin, Tina, and Matear (2010) hold that social entrepreneurship is not a distinct form of entrepreneurship, and that research would benefit from the application of established entrepreneurship literature. For this reason, entrepreneurship literature has been broadly applied in much of this study. However, the findings also suggest that unique features exist in social entrepreneurship, which are directly linked to the creation of social value. To this point, the research finds that social value creation remains the relentlessly pursued objective towards which social ventures are created and directed, and which introduces a distinctive approach to the creation of ventures. Social entrepreneurs, driven by their passion to solve problems for society, implement social interventions, and in the face of uncertainty rely on the logics of bricolage and effectuation over that of formal planning and evaluation to create opportunities (Servantie & Hlady Rispal, 2018). Shunning shareholder value, and operating in a resource-constrained environment, social entrepreneurs remain steadfastly resilient in searching for commercial solutions and procuring funding to subsidise and scale towards their social objectives (Perrini et al., 2010). Facing a lack of market and political support, they are driven towards agile and adaptable strategies, and continually innovate all areas of the business model to find efficiencies and novel approaches to delivering value (Jayawardhana & Weerawardena, 2014).

This study thus finds broad support for the process of venture creation described by Perrini et al. (2010). Personal motivation arises as the primary drive to act in lieu of robust evaluation, a decision which sets in motion the process of enterprise formalisation and, in many cases, exploitation. Supported by either subsidy funding or bootstrapping, social entrepreneurs embark on the process of building sustainable organisations, through the process systematically acquiring resources through serendipitously discovered or purposefully constructed networks and partners to support the exploitation and scaling of interventions. Networks emerged from the study as potent sources of innovation and opportunities. The finding that social entrepreneurs rely on their ability to effectively communicate the vision and innovativeness of their organisations through persuasion and negotiation is supported by Perrini et al. (2010) and Lanteri (2015), who indicate that this process of human capital building provides the basis for establishing the feasibility of the interventions, the forming of a mission, and the creation of core governance requirements to support it. The unfolding of the opportunity evaluation and creation process, as it emerged from this study, is likewise supported by the literature, with Ardichvili Cardozo and Ray (2003) indicating that opportunities progress through the multiple stages of initial evaluation, development, and recognition, which includes the constructs of perception, discovery, and creation. Opportunity discovery and creation processes were found to be evident from before the inception of social enterprises and throughout the viability stage, with social entrepreneurs actively seeking opportunities. Indeed, the objective of sustainability remained elusive for participants in this study, and a clear end to the process of opportunity evaluation and creation could not be inferred. This lends credence to the suggestion by Perrini et al. (2010) that the processes of social enterprise creation presented by them may not unfold in the order they have provided. Also, the sustainable business model search behaviours evident in the study suggest that the social entrepreneurs presented some level of entrepreneurial awareness throughout the development of their organisations.

The process of opportunity evaluation and creation does however take time to unfold, as social interventions require methodical changes to the social system, a process that requires monitoring and continuous adjustment to ensure its effectiveness. This aspect also intrinsically limits the scale of the intervention, given the organisation’s distinct dimensions. Due to this, social entrepreneurs seek to scale their outreach and organisational footprints as their respective visions for the future and resultant social missions necessitate (Zahra, Gedajlovic, Neubaum, & Shulman, 2009).

Due to social entrepreneurs purposefully stepping into areas where value creation is outweighed by value capture (F. M. Santos, 2012), customary returns on investment are not likely to be available. Social investors, seeking investments that support their or their client’s corporate social responsibility imperatives, are willing to accept the additional risks of the dual social and economic missions. However, they seek investments with the highest degree of established fundamentals, including robust product/market fits, business models, balance sheets, and social and financial performance underpinned by effective governance structures and relatable outputs. While performance data is typically unavailable for early-stage organisations, promising prototype business models and products spur the interest of early-stage funders, along with other predictors such as leadership characteristics and skillsets. Further to this, the organisation's vision, its *raison d'etre*, along with its values, social value proposition, and the strength of its theory of change emerge as powerful convincing arguments for social investors and beneficiaries to mobilise and participate in the promise of the organisation. The strength of these arguments remain to serve the organisation regardless of the stage of organisational development (Murphy & Coombes, 2009). To these points, the study finds that social entrepreneurs are often ineffective in establishing these principles. Social entrepreneurs are often hasty or overly emotional about the need for interventions and do not consider the importance of business fundamentals. Alternatively, social impact imperatives are not properly considered, the value of a theory of change is not recognised or some actors in the industry simply lack the vision and values that are required to enable the social value network (Hlady-Rispal & Servantie, 2018). The prevalent lack business skills and a strategic approach is however the key finding of this study and lends credence to the imperative of opportunity evaluation and creation research. The need for an integrated framework to improve the effectiveness of this process is clear.

Beyond the nascent organisation, piloting provides the necessary proof of concept to attract investment or funding. It further serves the entrepreneur and investors through revealing the critical components of the business model along with the effectiveness of the theory of change and its outputs. Crucial to the process of piloting is the acceptance of affordable loss and the institutionalisation of learning loops to support the process of organisational creation and refinement towards viability and, ultimately, sustainability. Some social entrepreneurs support this process by the inclusion of user-centred design methods, such as design thinking to develop prototype products, services, and business models. Evidence of social entrepreneurs unintentionally applying various principles of design thinking and lean start-up is prevalent throughout this study, where piloting with the aim of testing outputs and products, beneficiary needs assessments, and stakeholder engagement with the aim of custom designing interventions are examples. This study is inconclusive on the effectiveness of these processes, however, and the area provides rich ground for future research. The mix of formal business planning, user-centred design, lean start-up, piloting, and the process of opportunity evaluation and creation as described by this study are indicative of the use of a similar mix of logics in the evaluation and creation of opportunities. As such, this study finds support from the findings of

Servantie and Hlady Rispal (2018), who indicate that the logics of causation, bricolage, and effectuation are applied sequentially or in parallel, and that there are marked shifts in their use that are dependent on the experience of the entrepreneur and the stages of organisational development. In line with their findings, it emerged from the study that an increase in the use of causation and effectuation is apparent as the organisation matures.

7.2.2 The mitigation of risks in the creation of social enterprises

Beneficiaries, customers, employees, and funders emerge as key stakeholders in the process of social enterprise creation. Social entrepreneurs organise to manage risks that constellate through their interactions with stakeholders. A key risk to the sustainability of the organisation is financial risk (Davies et al., 2018). Financial risk management was also the most practiced among risk management methodologies in the study, comprising of forecasting, planning, and cost management as effective strategies to address this risk. Social entrepreneurs further recognise the importance of human resources in effecting especially the social mission. The loss of employees is accompanied with a loss in organisational competencies and a decreased capacity to effect social value. Competencies are typically accrued over time and are specific to the context of the organisation. This factor makes human resources and their knowledge indispensable in the effective functioning of the organisation. Social entrepreneurs control for this risk through hiring practices that ensure employees are a correct fit for the organisation, where factors such as their association with the organisation’s mission become key. They further ensure all possible means are exhausted in ensuring employees are developed and given ample opportunity for growth in their organisations. The effectiveness of these measures was reported to be high, with many of the participants indicating that some employees stay for the life of the organisation, and that most are willing to work for below market salaries or for no remuneration at all.

Evident from the study is that many social entrepreneurs only become aware of risks one they manifest. It is also evident that experienced social entrepreneurs are better able to anticipate these risks and implement organisational controls to actively manage them. The finding that social entrepreneurs discover risks as they emerge contradicts the literature, which indicates that risk management and acceptance is a primary activity for social entrepreneurs (Verreynne et al., 2013). It may be argued that nascent social entrepreneurs are less aware of risks manifesting to their operations due to inexperience, a premise which opens avenues for future research.

Indistinct from commercial entrepreneurship, social enterprises are market facing and meet risks associated with their commercial mission. The organisation's ability to understand and create the market, along with its ability to create products and services that serve it, was highlighted in the study. An important dimension that arose is that of value perception, which is a measure of value that customers and beneficiaries attach to the products and services. A common problem is that value perception mismatches may arise between the organisation and its consumers. Products that are accessible, relevant, and affordable are key to ensuring financial sustainability and the creation of social value. Hlady-Rispal and Servantie (2018) indicate that value perception has been thoroughly discussed in entrepreneurship and marketing literature, yet an understanding of how value is perceived in disadvantaged and bottom-of-the-pyramid markets, is lacking. Market learning and creation activities provide means to social entrepreneurs to manage the risks associated with product/market fit, and the management of areas value perception is achieved through awareness and customer education (Dew et al., 2011). Importantly, the study finds that social enterprises often seek to create unique or niche markets in communities where they previously did not exist. This requires social entrepreneurs to radically innovate market creation to ensure their products are marketable. The leveraging of the social mission and extensive stakeholder engagement and mobilisation emerge as leading strategies to mitigate this risk. Further to this, the use of user-centred design methods also holds potential in ensuring products and services are accessible and relevant.

The importance of the commercial mission for social enterprises may give rise to tensions between it and the social mission. Social entrepreneurs who have switched from operating non-profits to hybrid models indicated that their organisations required sweeping transformation to enable them to become more market facing. Governance and organisational structures, coupled with applicable skillsets that reflect the imperatives of both missions, emerged as effective measures to ensure the organisation's success. This may prove problematic to early-stage organisations, as their business models are not able to carry the human resources to effect the required structural separation, something that became evident throughout the study. This implies that founding social entrepreneurs require duel mission skillsets, and the inability of some social entrepreneurs to effectively assume both roles was reported by funders to be a common problem. Funders and the literature alike, stressed the importance of business education and mentoring in the management of these factors (Glänzel & Scheuerle, 2016; Littlewood & Holt, 2018).

Impact risks, associated with the venture's potential to create value for society, manifest due to factors such as the effectiveness and relevance of interventions. To control for risks associated with the effectiveness and relevancy of social outputs, social entrepreneurs frequently implement, and in some cases institutionalise, beneficiary needs assessments. Through stakeholder engagement and in-field research, social entrepreneurs procure valuable information from communities and beneficiaries, purposefully designing interventions to suit their requirements. It may be argued that prototyping and piloting, through experimentation, are further or alternative methods of procuring and integrating the needs of beneficiaries and customers into the interventions to ensure their effectiveness and relevancy (Selloni & Corubolo, 2017). Another established and comprehensively discussed method of controlling impact risk is through impact measurement. The study found that, in line with the literature, social entrepreneurs experience extensive difficulties with social impact measurement. This was due to the complexities of isolating impacts, a lack of resources and adequately skilled practitioners, and disagreements developing between funders and social entrepreneurs as to which measures are most relevant (Grieco et al., 2015). A lack of resources and skills was also evident with funders. The study found alignment with the literature, in that most of the participants had created their own frameworks due to these difficulties (Molecke & Pinkse, 2017). A strong reliance on outputs as a measure of social performance was also evident. Added to this, early-stage originations inherently are unable to measure impacts, since impacts take time to manifest, or due to the organisation not having put in place the required structures to measure impacts. Funders indicated that, at a very early stage, they rely on predictors of social impact such as the strength of leadership, the business model, and the theory of change to control for impact risk. Theories of change are however subject to the testing and revision to prove and refine them (Rossi et al., 2004). This again highlights the value of piloting in social entrepreneurship, as through this process, social enterprises are able to generate valuable data to test the strength of linkages and change pathways, and ultimately the potential for social value creation (Jackson, 2013). Further to this, recently developed resource efficient methods have been developed to measure social impact such as lean data. This tool was indicated by funders to hold promise to the industry, both in the development of interventions and in the measurement of subsequent impact.

Further risks to impact manifest due to the presence of social and institutional barriers, which also frequently impact on the commercial mission of the organisation. Due to the social entrepreneurs purposefully intervening in difficult social settings and institutional voids, they are required to directly confront these barriers (Robinson, 2006). Stakeholder engagement and reciprocity becomes instrumental in the establishment of organisational legitimacy, which in turn unlocks the potential of the value network (Hlady-Rispal & Servantie, 2018). Due to the resource constrained environments social enterprises operate in, social entrepreneurs are required to create networks and innovate their business models and strategies to create pathways for information, knowledge, and resources to flow through the value network (Stephan et al., 2016).

The implementation of governance structures and procedures emerges as an all-encompassing strategy to mitigate risk and drive performance in the organisation. The framework of governance includes the areas of financial, social and managerial performance and institutional legitimacy (Bagnoli & Megali, 2011). Managerial performance includes areas such as stakeholder engagement, network creation, and the management of commercial activities. Institutional legitimacy includes the critical areas of the organisation's coherence to its own vision and social goals, as well as the requirement for compliance to legal requirements and norms. These four areas of performance measurement encapsulate the key risks that social enterprises confront. Early-stage organisations would benefit from institutionalising key control measures to ensure the organisation is performing on these four fronts, as this facilitates the process of creating a distinctive mission for the organisation (Perrini et al., 2010).

7.2.3 The design of the business model

The study finds that the sustainability of the organisation is intertwined by the design of the business model, and that the process of business model design becomes indispensable in the success of early-stage and operating social enterprises. It further finds that the theory of change is integrated into business model design and linked to organisational strategy. These three elements are subject to continued revision, so to ensure the continued effectiveness and sustainability of the organisation. Driving this continued revision is the factor of changing organisational context (Robinson, 2006), as well as the requirement that the organisation continually improve its internal performance and alignment of outputs, products, and services with the needs of the market and beneficiaries (Davies et al., 2018).

Significantly, this study discovers a mechanism by which the theory of change can be integrated into the business model. A relatively simple logical link is evident, where the theory of change informs the required organisational outputs. These may consist of products or services and, in the case of hybrid organisations where beneficiaries and customers are one and the same, these outputs will overlap with the products and services being offered. Where customers and beneficiaries are differentiated, products and services will be too, yet the application of the theory of change will be applicable only to products and services developed for beneficiaries. The social outputs then inform the design of the business model, where areas such as activities, partners, resources, and the social and economic value propositions may be linked to the outputs. This link is essential in the application of lean start-up principles and, as emergent from this study, in the effective management of any social business. The requirement for continuous business model revision and refinement requires a logical process to business model design and experimentation, so to enable business managers to effect this process efficiently and with the least amount of resource inputs.

In designing the business model social entrepreneurs are required to align profit and the social mission with neither being favoured. Strong alignment between the profit and the social mission, coupled with an efficient value chain, translates into a competitive social business (F. M. Santos & Birkholz, 2015). The value chain also has the requirement for capacity to scale. In the resource constrained environment of social entrepreneurship, large capital outlays to fund scaling are typically not available. This could result in organisations finding themselves deadlocked in their current configuration or dimensions. Having spare capacity, or capacity to scale in the value chain, means that this restriction will not materialise. Scaling is linked to the creation of greater social value, however important dimensions such as organisational market and institutional power, which has the potential to amplify the impact of the organisation, are also to be considered (Sinkovics et al., 2014). Business models are scalable when they are replicable, transferable, and adaptable to various contexts (Perrini et al., 2010). Partnerships hold valuable potential for organisations to scale and increase its market and institutional power, and this again stresses the importance of the creation of networks for early-stage and operating social enterprises. Importantly, the study found that funders also have a vested interest in an organisation’s ability to scale, as it is an indicator of higher future returns.

The business model, integrated with the theory of change, is instrumental in the creation of social value. In the context of social entrepreneurship, the components of the business model that are directly associated with the creation of social value include partners, organisational resources, and the social value proposition. It emerged from this study that the knowledge and skills held by organisation’s human resources are integral to its competencies (see 7.2.2). Because resources and their development are likely to drive costs, ensuring that these competencies are retained becomes a key consideration in business model design. As the central mechanism that drives the value creation, the social value proposition is the key construct that sets the value network in motion (Hlady-Rispal & Servantie, 2018). In the literature, the social and economic value propositions are seen as either separate or differentiated (Hlady-Rispal & Servantie, 2018; Joyce & Paquin, 2016). Importantly, the study finds evidence of the economic value proposition unlocking the potential of latent needs in beneficiaries which drives them to engage with the organisation and thereby receive the social benefits that the organisation aim to provide. The exclusive role of the social value proposition was not established, however the literature indicates that, through the triggering of intrinsic or extrinsic motivators, the social and economic value propositions incentivises beneficiaries to engage in the value offering (Stephan et al., 2016).

Finally, other key findings are centred on the hybridisation of business models. In terms of internal revenue management in hybrid business models, and due to the unpredictability of philanthropic funding, social entrepreneurs structure the organisation and its cost model to ensure that core functions are maintained, as well as core capabilities retained, through funding these with more stable revenue sources. This may include long-term grants and revenues derived from profits. This also implies that certain areas of operations, outside of the core functions, are flexible, and in this regard social entrepreneurs indicate that windfall funding is typically used to build capacity or to roll out specific programs. Another key element that emerges in the hybridisation of business models is the ability of operating non-profits to leverage its key competencies for the purpose of creating profitable business models. These competencies, which are typically niche in nature and have been developed and refined over years (McDonald et al., 2015), thus carry value, and when marketed correctly has the potential for critical profits to sustain and grow the organisation.

7.3 Implications for practice

Social entrepreneurship has the potential to provide solutions to systematically address social deficits through the use of entrepreneurial innovation (F. M. Santos, 2012). This places emphasis on ensuring the success of new social enterprises. Taking into consideration the importance of the sustainability social enterprises, the processes of social enterprise creation, the influence of contextual factors, as well as risk mitigation strategies elucidated in this study, could serve nascent social entrepreneurs in better positioning themselves and their ventures for success and sustainability. The importance of business model design was also highlighted, along with practical tools offered to enable the systematic refinement of organisational efficiency and effectiveness. The application of user-centred design methods such as design thinking, lean start-up, and the elucidated advantages of piloting hold the potential to accelerate the progress of early-stage organisations to viability and sustainability.

Also, taking into consideration the importance of scaling to sustainable social value creation, securing sustainable funding for social enterprises is imperative. It stands to reason that social entrepreneurs would benefit from a tactical approach to setting up the organisation to be attractive to funders. This argument may be extended to the process of social enterprise creation, where social entrepreneurs may need to consider the importance of establishing strong business fundamentals and social missions, which is to be underpinned by robust theories of change and governance as key aspects in both the creation of greater value for society and the sustainability of their organisations. A tactical approach suggests that social entrepreneurs should rely more on planning and strategising at the pre-investment and early stages of the organisational development. However, the use of causation logic in this stage is not common, due to inexperience and prevalent uncertainty (Servantie & Hlady Rispal, 2018). This suggests that, in the face of the worldwide social deficit and the imperative of promoting social entrepreneurship, nascent social entrepreneurs would benefit from relevant social entrepreneurship education, mentoring, and the creation of strong networks and partnerships to enable the success of their organisations. Equally and for the same reasons, social entrepreneurship literature could benefit from further research into the influence of these factors on the success of ventures.

Finally, in investigating the social entrepreneurial landscape, beneficiaries, funders, partners, and human resources emerge as key stakeholders in the evaluation and creation of opportunities. The inclusion of these key stakeholders in the value network by the effective communication of the organisational vision will allow social entrepreneurs access to resources that are critical to its success. The procurement of partnerships with aligned values may prove invaluable in creating an enabling environment for their organisations to reach viability, initiate market and institutional power, and grow. Equally important is the ability to mobilise the communities, beneficiaries, and internal resources in alignment to the organisational cause, as this has been shown to enable the flow of valuable information, opportunities and innovation. To this latter point, nascent social entrepreneurs are likely to face multiple barriers along the path of organisational creation, and should continually seek innovation of its operating environment, networks, and business model to overcome them.

7.4 Limitations

This study provides for a detailed description of the processes of opportunity evaluation and creation for social enterprises, as well as the factors that impact and drive these processes. A number of limitations exist in terms of the research methodology, which impinges on the generalisability of the findings. Firstly, the difficulty in determining the population of social enterprises globally and in South Africa implies that the population cannot be determined. Added to this are the limited sample size, as well as the judgemental and snowball sampling techniques employed, which further provide for limited generalisability and validity in the broader population, so that the findings of this study can only be generalised to the sample (Saunders & Lewis, 2012, p. 156). Secondly, the cross-sectional design limits the generalisability and depth of the data. Practices should ideally be studied longitudinally in order to infer trends and other detailed analyses. Thirdly, due to the subjective nature of the objects under investigation, the explorative and inductive approaches applied are subject to researcher bias. As the sample was taken exclusively in South Africa, cultural and contextual biases and influences are likely to have been introduced into the study. Fourthly, qualitative explorative research only provides a limited perspective due to the small sample size and cannot be used to create the statistical inferences and generalisations that are required to substantiate theory building. Finally, the inexperience of the researcher is likely to have produced a lack of positive sampling, with further impacts on subsequent interviews and the data set as a whole (Morse et al., 2002). Similarly, his inexperience is likely to have translated into a less detailed and nuanced analysis.

Further to this, the study did not investigate certain critical components of venture creation. Here, for example, the impact of legal structures did not receive attention, which may impact on the process in terms of business model design and governance (Battilana et al., 2012). Further to this, organisational culture and its impact on the effectiveness of organisational forming was not studied (Battilana et al., 2012). The study also did not investigate the traits of human resources or leadership in any amount of detail, which are aspects that may impact on the effectiveness of the opportunity evaluation and creation processes (Germak & Robinson, 2014). Finally, the impact of subsidy funding (donations and grants) on the process of opportunity evaluation and creation was not studied – an impact that may be substantive, as it may affect the urgency of profit seeking and the subsequent behaviours of social entrepreneurs. The study also focussed on a particular process in the creation of social enterprises, and as such did not provide a broad overview of the venture creation process. All these factors contribute to the limited value of the present study, which simultaneously suggests areas for further research in the field. The application of the frameworks created in this study could also be limited by the lack of research in the field, and empirical testing will be required to verify them. To this point, the limited research in the fields of social value creation and social entrepreneurial opportunity evaluation are likely to limit the scope of the study to the established constructs and knowledge in the field.

7.5 Suggestions for future research

Flowing from the limitations noted above, a number of exciting avenues for future research emerges from this study. The detailed view on the processes of opportunity evaluation and creation has elucidated a rich set of constructs, linkages, and intervening variables that are of interest to social entrepreneurship research. In particular, research into the field of organisational risk and available mitigation measures are essential in promoting the field of social entrepreneurship. This study, with its limited sample, has provided only a restricted window on these risks, and many more may exist that have an influence on early-stage and operating organisations. The risk awareness of nascent social entrepreneurs and the impact of a lack of risk awareness on the process of venture creation is of interest. Added to this is the possibility of other effective means of mitigating these risks.

The importance of value perception in disadvantaged markets also emerges as a potential area for research. The dynamics that drive disadvantaged and bottom-of-the-pyramid communities to perceive value, are poorly understood (Hlady-Rispal & Servantie, 2018). In promoting social entrepreneurship, a better understanding of these dynamics would serve social entrepreneurs, enabling them to more effectively mobilise beneficiaries to receive the social benefits they aim to provide.

A further area of research important to the field of social entrepreneurship entails the potential for operating non-profits to leverage organisational capabilities and knowledge in the process of hybridising business models. Further to the topic of nascent social entrepreneurs, research on the effectiveness of social entrepreneurship education, mentoring, and incubating on the creation of sustainable organisations are additional fields that require further research.

Although a preliminary link between the theory of change and the business model was discovered in this study, thereby enabling the integration of the processes of social value creation into the lean start-up process, the full potential of the combination of these processes with performance metrics has not been explored (Semcow & Morrison, 2018). Here also the use of recently developed, as well as cost and resource efficient impact measurement tools, such as lean data, provide fertile ground for researchers to enable practitioners to better combine these tools and drive organisational effectiveness.

Finally, exiting avenues of research emerge in the use of the business model, and in particular the triple-layered business model canvas as a tool to opportunity evaluation and drive organisational effectiveness. This tool can potentially help social entrepreneurs through the process of finding critical innovations and refinement of business models through its interactive approach. Further to this, the tool has the potential to make predictions of impact and stakeholder requirements stemming from the process (Joyce & Paquin, 2016).

7.6 Conclusion

Extant literature on the processes in the creation of social enterprises have indicated that social entrepreneurs engage in the process of opportunity evaluation along the different stages of the organisation's development (Ardichvili et al., 2003; Perrini et al., 2010). Formal and informal evaluation, as well as the use of experimentation in lieu of evaluation, are effective means to create and scale organisations (Dobson et al., 2018; Perrini et al., 2010). Other means for the creation of opportunities include the use of bricolage and effectuation logics (Servantie & Hlady Rispal, 2018). In terms of the literature, this study thus finds broad consensus on the processes and mechanisms of opportunity evaluation and creation. It does however add to the literature in that it provides deeper analysis of the process of social venture creation and the related processes of opportunity evaluation and creation for social enterprises. By providing a more granular view on the enactment of processes, along with the contextual and intrinsic factors that drive them, a step has been taken in the direction of an integrated framework for effective opportunity evaluation and creation for social enterprises.

This study has also integrated broader entrepreneurship and social entrepreneurship literature to provide a view on risk management in the process of value and social value creation, as well as the effecting of governance with the aim of driving organisational effectiveness. Added to this, business model literature was integrated with the findings to provide a deeper understanding of the value creation, delivery, and capture processes, as well as their impact on opportunity evaluation and creation. The study further adds to the literature by elucidating how the theory of change can be integrated into the design of business models, and how this integration is conducive to the application of lean start-up and the management of effective social enterprises.

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Appendix A – Details of Participants

Partic i-pant	Pseudonym	Evolution of business model and line of business	Experience	Education	Created organisations studied
1	Unemployment Interventions	NPO to Hybrid (grant dependent) PO focusing on employment creation and social interventions of varying nature	40 years in Social Sector Founded large NPO with recently developed profit model	Limited business education	1. Undescribed 2. Similar organisation 3. P1 Organisation (multiple projects and programmes)
2	Youth empowerment	Hybrid (self-sufficient) entrepreneurial education to teens from different walks of life	4 years in social enterprise	Advanced business education	P2 Organisation
3	Corporate social programme	Fund manager for entrepreneurial development in disadvantaged communities	12 years as investor	Advanced business education (MBA) Psychology	P3 Organisation (invested in 120 organisations)

Partic i-pant	**Pseudonym**	**Evolution of business model and line of business**	**Experience**	**Education**	**Created organisations studied**
4	Social upliftment stories	NPO to Hybrid Tells stories through film and other media. Organisation has separate entities; one is a consulting firm.	26 years in social sector Funded two NPOs One NPO organisation has profit revenue streams	Medical doctor No business training	P4 Organisation A P4 Organisation B P4 Organisation C P4 Organisation D
5	Youth upliftment	NPO to hybrid specialising in grass-root community work. Also mentors the creation of other NPO style companies.	10 years in social sector	Limited business education	P5 Organisation
6	Corporate foundation grants	Fund manager and communications officer for a large funding-based project in a corporate business.	12 years in the social sector	Education. Limited business education	P6 Organisation

Partic i-pant	Pseudonym	Evolution of business model and line of business	Experience	Education	Created organisations studied
7	Social investing and incubating	Impact investing and managing. Hosts an innovation hub and supports the development of impact organisations.	10 or more years in social sector	Advanced business education	P7 Organisation
8	Job readiness education	NPO enterprise with some revenue streams that serves under-resourced youths by providing training for job readiness.	5 years as entrepreneur in social sector	Limited business education. Courses in marketing and leadership.	P8 Organisation
9	Female dignity	NPO to hybrid (considering self-sustainable model) in the female hygiene industry, giving education and resources to underprivileged youths.	1 year in the social sector	Advanced business experience, educated in law.	P9 Organisation
10	Museum for children	NPO (considering hybrid model) that serves under-resourced youths through learning and play.	5 years in social sector (education)	Moderate business experience, educated in journalism.	P10 Organisation

Partic i-pant	Pseudonym	Evolution of business model and line of business	Experience	Education	Created organisations studied
11	Touch through dance	NPO dependent on a hybrid. Serves society and under-resourced youths through dance productions, training and social outreach programmes.	12 years in social enterprise	Limited business education.	P11 Organisation
12	Empowerment through art	Income generating division of an NPO. Empowers women through teaching sewing and artistic skills; products are sold on open market as revenue stream for further training.	21 years in social sector	Limited business education.	P12 Organisation
13	Loans for impact	Financing organisation that provides loan funding to social enterprises.	10 years as social entrepreneur 10 years as loan manager	Advanced business education.	P13 Organisation

Partic i-pant	Pseudonym	Evolution of business model and line of business	Experience	Education	Created organisations studied
14	Cup of learning	NPO to Social Enterprise Two coffee shops in underprivileged neighbourhoods which adds value by offering life and business mentoring.	10 years in social enterprise	Limited business education.	P14 Organisation
15	Green economy	NPO Education and training in farming in rural communities on sustainable, organic agricultural methods.	6 years in social sector	Moderate business education.	P15 Organisation 1 P15 Organisation 2
16	Cup of sharing	Commercial model. Sells and buys responsibly sourced coffee to general public and corporates.	6 years as social entrepreneur	Moderate business education.	P16 Organisation

Appendix A –Interview Schedule

For the interview schedule the same statement of informed consent will be stated on the guide:

I am conducting research on social entrepreneurial opportunity evaluation, and am seeking more information on the processes typically employed in the evaluation of social enterprise creation or social enterprise investing opportunities. Our interview is expected to last about an hour to an hour and a half, and will help us understand how social entrepreneurs and/or impact investors evaluate opportunities. **Your participation is voluntary, and you can withdraw at any time without penalty. All data will be reported without identifiers.** If you have any concerns, please contact my supervisor or me. Our details are provided below.

Researcher name:	Research Supervisor:
Morné van der Westhuyzen	Anthony Wilson-Prangley
Phone: 082 568 5636	Phone: 083 746 8270
Email: 17393702@mygibs.co.za	Email: prangleya@gibs.co.za

Introduction

Personal introduction: Hi my name is Morné van der Westhuyzen and I am a second year MBA student and currently completing the requirements for a degree at GIBS. I would like to thank you for the opportunity to provide data to the study and the opportunity to build on academic literature in the field of social entrepreneurship and social enterprises.

Purpose of the study: Our study seeks data on social entrepreneurial opportunity evaluation, and we are seeking more information on the processes typically employed in the evaluation of social enterprise creation or social enterprise investing opportunities. The data collected here will help us understand how social entrepreneurs and/or impact investors evaluate opportunities.

The study specifically focusses on social ventures that have a self-generating revenue model (which includes partial funding by outside sources).

Important definitions:

Social entrepreneurship = focusses on social constraint alleviation which includes the establishment of self-sustainable sustenance (basic needs such as food and shelter), self-esteem (self-worth), and freedom from servitude (or human dignity).

Social enterprise = A business with a blended value model which prioritises social returns above financial yet where financial sustainability is sought through revenue.

Opportunity evaluation = the process of scrutinising a business opportunity before investing time and resources in formalisation and exploitation

Interview process: We will be discussing a number of topics around the process of opportunity evaluation which will cover four main areas, these being:

- Processes used in opportunity evaluation including what you think are best practices and what the academic literature indicates to be best practice. This will include a view on other decision influences such as affect.
- Influencing factors in the decision-making process which will include information uncertainty and the influence of your key stakeholders.
- Trade-offs that may exist in the decision-making process in terms of value generation, value capture and the resultant financing model. The approach to social value creation, impacts and impact boundaries.
- Venture prototyping as a means to evaluation.

Semi-structured interview schedule

Interviewee background questions

Please can you provide the following data:

a) Your age, gender and race?
b) Previous employment and education?
c) The length of time as a social entrepreneur / impact investor?
d) The number and type of social enterprises that you have created / invested in?
e) The number and type of social enterprises that you have created / invested in that you consider a success?
f) Why are you involved with social entrepreneurship (as an entrepreneur / investor)?

Research question 1 –What are the processes applied in opportunity evaluation for the creation of social enterprises?

a) (Open) Please describe what you consider to be best practice in social venture opportunity evaluation?
    i. (Probing) do you consider sustainability to be an important factor in the evaluation of a venture, please elaborate?
        1. (Open) What factors do you consider to be indicators of future sustainability in a venture's evaluation?
    ii. (Closed and probing) Do you consider the evaluation of return on investment (ROI) with due consideration of cash-flowed costs, income, debt repayments and taxes during the evaluation and why or why not?
    iii. (Closed and probing) Do you consider the forecasts on social outputs and/or impacts in the evaluation and why or why not?
        1. (Closed and probing) Do you consider both direct and indirect impacts in your evaluations and why or why not?
        2. (Closed and probing) Do you consider indirect impacts to be part of the venture's value proposition and why?

b) (Open) Can you tell me of a case where you prioritised the emotional value of a decision to go ahead with investing resources in and opportunity over that of due evaluation?
    i. (Probing) What emotion would you say was the main driving factor in this decision and can you sketch the background which led up to you experiencing the emotion?
    ii. (Probing) Did you none-the-less engage in some form evaluation, whether it be formal or informal and can you provide the details?

c) (Open) Please can you tell me about a venture's evaluation and creation success story, one where you felt that things worked out very well?

Research question 2 – What is the context of opportunity evaluation for the creation of social enterprises?

a) (Open) Who do you consider to be your key influencing stakeholders in the evaluation phase of an opportunity and why?
    i. Have you found that stakeholders have an influence on the vision and mission of the venture being considered?

b) (Open) Do stakeholders have an influence on your decision-making processes during evaluation, please elaborate?
    i. (Probing) To what extent do investors, whether these are current or future investors, drive your decision-making process, please elaborate?

ii. (Probing) To what extent do partners, whether current or potential, drive your decision-making process, please elaborate?
iii. (Probing) To what extent do the community and/or targets of your social venture influence the decision-making process, please elaborate?

b) What other influencing factors, not mentioned here, do you consider pertinent to decision-making in opportunity evaluation?

Research question 3 - How do social entrepreneurs mitigate risks in the opportunity evaluation stage of social enterprise creation?

a) (Open) What risks to the future venture do you consider in the process of evaluation and why?
b) (Open) What forecasting methodologies do you use for social outputs / impacts and why or why not?
   i. (Closed and probing) Do you go through a systematic process of evaluating social returns and can you describe it please?
   ii. (Probing) Do you consider these methodologies to be broadly accepted in the industry and why or why not?
   iii. (Probing) To what extent do you consider the forecasting and measurement of social returns or impacts to be difficult to obtain and why?
   iv. (Closed and probing) Have you ever been asked to change a methodology either during evaluation or afterwards and by whom and why?
c) (Open) What forecasting methodologies do you us in financial evaluations and why or why not?
   i. (Closed and probing) Do you go through a systematic process of evaluating financial returns and can you describe it please?
   ii. (Probing) Do you consider these methodologies to be broadly accepted in the industry and why?
   iii. (Probing) To what extent do you consider the forecasting and measurement of financial returns or impacts to be difficult to obtain and why?
   iv. (Closed and probing) Have you ever been asked to change a methodology either during evaluation or afterwards and why and by whom?

Research question 4 – How do social entrepreneurs approach business model design when evaluating social enterprise creation opportunities?

a) (Probing) Do you consider the design of the business model (which includes the value offering [the value to your customers and society], the value capture mechanisms [the revenue/profit/investment model] and the value architecture [or how value is created through firm resources]) when evaluating an opportunity?
   i. (Probing) Especially in the detailing of areas such as the resources required to effect the strategic direction, do you consider these?
   ii. (Probing) do you consider the value proposition, both to society and the organisation's clients (if separate) in your decision making?

b) (Open) How do you structure the revenue model in terms of income, profits, dividends and investments and why?
   i. (Probing) By nature of specific cases, please describe the details of trade-offs that may emerge in terms of the financial vs social performance of the venture that you have evaluated?

c) (Closed and open) Have you successfully implemented a social enterprise using prototyping or piloting, please tell me about it?
   i. (Closed and probing) Do you consider prototyping to be a better strategy than formal evaluation and why?

Interview Closure

Closing question 1: Is there any other information that you would like to offer which you think may be of value to the research?

Closing question 2: Are you open to clarify any information offered in future?

Closing remarks: Thank you for your time and contribution today. I am relying on snowball sampling and would thus request of you to provide me with the contact details of other serial social entrepreneurs or investors which you feel are highly successful in creating social enterprises.

Appendix C – Informed Consent Letter

The following informed consent letter will be distributed to the selected participants to partake in the interviewing process:

Dear Madam/Sir

I am conducting research on social entrepreneurial opportunity evaluation, and am seeking more information on the processes typically employed in the evaluation of social enterprise creation or social enterprise investing opportunities. Our interview is expected to last about an hour to an hour and a half, and will help us understand how social entrepreneurs and/or impact investors evaluate opportunities. **Your participation is voluntary, and you can withdraw at any time without penalty. All data will be reported without identifiers.** If you have any concerns, please contact my supervisor or me. Our details are provided below.

Researcher name: Morné van der Westhuyzen

Research Supervisor: Anthony Wilson-Prangley

____

____

Phone: 082 568 5636

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Phone: 083 746 8270

Email: prangleya@gibs.co.za

Full names of participant: ____

Signature of participant: _________________________________

Date: ________________

Signature of researcher: _________________________________

Date: ________________

Appendix D – Ethics Clearance Letter

Gordon Institute of Business Science
University of Pretoria

28 June 2018

Van der Westhuyzen Morne

Dear Morne

Please be advised that your application for Ethical Clearance has been approved.

You are therefore allowed to continue collecting your data.

Please note that approval is granted based on the methodology and research instruments provided in the application. If there is any deviation change or addition to the research method or tools, a supplementary application for approval must be obtained

We wish you everything of the best for the rest of the project.

Kind Regards

GIBS MBA Research Ethical Clearance Committee

Gordon Institute of Business Science
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Appendix E – Code Book

No.	Code
1	Adaptability - bricolage to adapt to circumstances
2	Adaptability - business environmental change
3	Adaptability - lean and agile
4	Adaptability - Mission / Vision should not be compromised
5	Adaptability - willingness to be wrong / learn
6	Adaptation - Effectuation
7	Adaptability - in terms of outputs / impacts
8	Attractiveness to invest - affected by real data
9	Attractiveness to invest - affected by sustainability of organisation
10	Barriers - Corruption gatekeepers
11	Barriers - cultural - language
12	Barriers - cultural - relevance of content
13	Barriers - Cultural impacting on networking abilities
14	Barriers - institutional - conflict of interest
15	Barriers - institutional - government policies
16	Barriers - institutional - impact on org form
17	Barriers - institutional - impact partners
18	Barriers - institutional - influence of big business
19	Barriers - Institutional - need to develop business language
20	Barriers - institutional - relevance of intervention
21	Barriers - institutional accredit ion -governance req
22	Barriers - Institutional values impacting on targets (from parents)
23	Barriers - instutional - company culture (when benificairies are staff)
24	Barriers - Instutional - geography / affiliations
25	Barriers - overcome by changing business model
26	Barriers- Cultural - Family responsibility impacts
27	Barriers- cultural - tech adoption
28	Barriers- institutional - impacts of social heirarchy
29	Board representivity - skill sets and community linked to success
30	Business model - Broad scope of social issues with some form of commercial value
31	Business model - closely linked to value proposition
32	Business model - commercial side requires applicalbe skillset
33	Business model - donated raw materials (upcycling)
34	Business model - evaluated by comparison with others
35	Business model - evluated by funders
36	Business model - expansion due to hybrid model
37	Business model - importance of branding
38	Business model - informally assesed (experience)
39	Business model - multiple considerations - complexity
40	Business model - network organisation
41	Business model - offers solutions to problems
42	Business model - Small scale means niche products only viable
43	Business model - some not easy to create revenues from

No.	Code
44	Business model - Value proposition is intertwined with social impact
45	Business model - variability driving difficulty in judging viability (funders)
46	Business model - Viability linked to demand for outputs
47	Business model - viability still developing
48	Cashflow spillovers reinvested in areas where revenues cannot be generated
49	Commercial vaibility sought to offset lack of donor funding
50	Contextual embededness - drives intuitive thinking
51	Direct and indirect impacts considered - linked to scale of inpact
52	Direct impacts - actual impacts difficult to measure without controls
53	Direct impacts - awareness immediately qualitatively measurable
54	Direct impacts - closely linked to indirect
55	Direct impacts - immediately available
56	Direct impacts measureable
57	Direct impacts reporting requirements
58	Donations - Build capacity with no value exchange
59	Due diligence - judgemental during startup
60	Due Dillgence - full undertaken on investment
61	Early stage - mission not nessasarily clear
62	Early stage investment - foundation - job creation measured
63	Early stage investment - foundation - mentoring support
64	Early stage investment - foundation - only looking at outputs
65	Early stage investment - foundation - revenue growth measured
66	Early stage investment - foundation - two-year monitoring for re-investment
67	Early stage investment carries most risk
68	Early stage investment enables innovation environment
69	Emotional content moderated by needs assessment
70	Emotions - desperation leads to irrisponsible behaviour (risk not assessed)
71	Entrepreneurial orientation - Business failure
72	Entrepreneurial orientation - moderates emotionality through natural skill set
73	Entrepreneurial risk assessed as per Commercial Entr
74	Entrepreurial skills - business and technical
75	Evaluation - funders look at board representivity
76	Evaluation - funding requirements
77	Evaluation - targets identified
78	Experience built from SE exposure
79	Extended period for opportunity evaluation (10 years)
80	Fin evaluation - structured methodolgy endoresed
81	Fin forecasting - Accuracy due to experience
82	Fin forecasting - accuracy of input information
83	Fin forecasting - structured process applied
84	Fin forecasting - structured process effective
85	Fin Forecasting - templates used
86	Fin forecasts - not subject to information uncertianty
87	Financial forecasting - ability to manage finances
88	Financial forecasts - intuitive with experience

No.	Code
89	Financial forecasts - not available during prototyping
90	Financial forecasts - not available during startup
91	Financial planning - driven by reporting requirements
92	Financial planning - lack fo fin forecasting leading to failure
93	Financial planning - savings used to fund resources
94	Forecasting of SROI & ROI - required for impact funding
95	Forecasting uncertianty - time and resource constraints
96	Funders - Seek high return (30%)
97	Funding - donors - online awarenes platforms
98	Funding - funds used to fund specific programmes
99	Funding - Grants - Dependency ratio (must be<50%)
100	Funding - opportunites that require large scaling is hard to finance
101	Funding - Prototyping as proof of concept
102	Funding - retailers as funders - deposit on delivery
103	Funding - unrestricted
104	Funding - used to cover overheads and salaries first
105	Funding - Venture capatilists impact orientation doubtable
106	Funding - Venture capatilists seek high returns
107	Funding - windfall grants
108	Funding evaluation - socail impact considered
109	Governance - Autonomy of operations
110	Governance - Compliance and policies required
111	Governance - driven by accredition req
112	Governance - drives overheads
113	Governance - M&E, procedures, vision, mission, values
114	Governance - monitoring of planned activities
115	Governance - performance appraisals
116	Governance - retention of core values linked to sustainability
117	Government funding - requires extended time from inception
118	Grant funding - typically 3-year cycles
119	Grant funding - Financial planning used to design programmes
120	Grant funding - government does not cover overheads but expects governance and compliance
121	Grant funding - Government impact request
122	Grant funding - onerousness - accountability of spending
123	Human capital - need to be interested
124	Human capital - need to be relevant
125	Human capital - need to be self-motivated
126	Hybrid models - ambidexterity in management / board
127	Impact - measurable in certain contexts
128	Impact eval - detailed analysis not undertaken
129	Impact forecasting - difficulty depends on information certainty
130	Impact forecasting - early stage - intuitive / deductive
131	Impact forecasting - early stage information shortage
132	Impact forecasting - essential to ensure vision and set mission
133	Impact forecasting - methodology change request not applicable to context

No.	Code
134	Impact forecasting - methodology - funder influences
135	Impact forecasting - methodology - grant funder influences
136	Impact forecasting - reliance on networking
137	Impact forecasting - Structured methodologies - industry endorsement
138	Impact forecasts - bias moderated by reputational risk
139	Impact forecasts - biased by funding requirements
140	Impact forecasts - collaboration with experts drive accuracy
141	Impact forecasts - costs related with acquiring data
142	Impact forecasts - outputs only
143	Impact forecasts - qualitative not widely accepted
144	Impact measurement - B Corp model
145	Impact measurement - desire to formalise
146	Impact measurement - development of own framework for internal and external auditing
147	Impact measurement - easy when outputs are directly linked to impact
148	Impact measurement - Indirect - need for framework
149	Impact measurement - Indirect - Qualitative data useful to tell stories
150	Impact measurement - Indirect - subjectively assessed
151	Impact measurement - innovation required in industry
152	Impact measurement - lack of capacity in funders / industry / SEs
153	Impact measurement - Lean Data favoured
154	Impact measurement - many existing frameworks varied favourability
155	Impact measurement - more information available in time
156	Impact measurement - Non-investment funding imperatives different
157	Impact measurement - pre-investment - not required for foundation
158	Impact measurement - pre-investment methodologies not available
159	Impact measurement - qualitative experiential data only available
160	Impact measurement - reliance on outputs as measure
161	Impact measurement - social capital problems harder to measure than direct impact interventions
162	Impact measurement - SROI favoured
163	Impact measurement - standardisation difficult to achieve due to sector complexities
164	Impact measurement - Supported by long term relationship with beneficiaries
165	Impact measurement - used to set goals and strategy
166	Impact theory - Beneficiary feedback solicited
167	Impact theory - exists before evaluation
168	Impact theory - exists before prototyping
169	Impact theory - ideated through empathy
170	Impact theory - not assessed, only impacts
171	Impact theory - part of evaluation
172	Impact theory - part of value proposition
173	Impact theory - tested through prototyping
174	Impact theory - testing of forecasts
175	Impact theory- depends on beneficiary segment
176	Impacts - additionality
177	Impacts - Attribution
178	Impacts - cognitive reorganisation in targets (more than awareness)

No.	Code
179	Impacts - displacement
180	Impacts - negative impacts to be considered
181	Impacts - Stakeholders - Systems theory
182	Indirect impacts - importance to industry
183	Indirect impacts - take a long time to manifest
184	Indirect impacts - time and nature uncertainty
185	Influence of funders - Government - enhanced opportunities
186	Influence of funders - Government - mandates outputs
187	Influence of funders - Government - Specific beneficiaries
188	Influence of funders - pre-investment measurement methodologies
189	Influence of funders - Some find alignment
190	Influence of investors - specific outcomes sought
191	Influence of partners - Opportunities dictate outcomes
192	Influencing factors - change in government
193	Influencing factors - uncontrollable externalities
194	Information uncertainty - experience as moderating factor
195	Information uncertainty - expert assistance
196	Information uncertainty - impact - can only be mitigated by engagement
197	Information uncertainty - prototyping to test outcomes
198	Innovation - about efficiency
199	Innovation - Business model - founded in org competencies
200	Innovation - linked to larger impact
201	Innovation - making products affordable
202	Innovation - mediation between stakeholders
203	Innovation - originates from community
204	Innovation - originates with staff
205	Innovation - originates from contextual embeddedness
206	Innovation - radical innovation likely not to be supported
207	Institutional values - take time to change
208	Intervention success - Fin forecasts easier, combined with resources will deliver
209	Interventions - sourced from community linked to success
210	Intuitive decision making - experienced SE
211	Investment decision - emotionally driven
212	Investment ecosystem - impact amplifier
213	Investment of resources - pre-investment evaluation
214	Investor / funder motivations sometimes driven by CSI imperatives
215	Investor / funder motivations sometimes driven by social desirability bias
216	Investors - friends and family support not expecting returns
217	Leadership - affective abilities - resilience, discipline, taking initiative
218	Leadership - belief in vision and mission
219	Leadership - checks on competency by funders
220	Leadership - compelling vision to inspire others
221	Leadership - contextual embeddedness
222	Leadership - Ethics and values to be assessed
223	Leadership - humbleness

No.	Code
224	Leadership - Importance of entrepreneurial education
225	Leadership - innovativeness not enough
226	Leadership - must be effective in delivering value
227	Leadership - professional background checks
228	Leadership - required to combine business with problem
229	Leadership - self-motivated, self starter
230	Leadership - Trust in person
231	Leadership -inspiring story
232	Legitimacy - built on trust and reputation
233	Loan capital - collateral to offset donor funding
234	Loan capital - competitive interest rates
235	Loan capital - exposes org to risk due to uncertainty
236	Loan capital - income to service loan
237	Loan capital - only established orgs (linked to fin sust)
238	Low margins - scale required for sustainability
239	Market - influence on business plan (commercial)
240	Market research - friends and family
241	Marketing - brand ambassadors
242	Marketing - social media segment dependent
243	Markets sought that align with vision
244	Measurements - funders satisfied with reporting
245	Measurements - revenue and job creation used to report
246	Mission drift - not experienced
247	Motivations - better future for all
248	Motivations - economic reality intertwined
249	Networking - exchange of ideas
250	Networking - enables skills accessibility
251	Networking - value exchange- bartering
252	Operational risks - industrial action mitigated by stockpiling
253	Operational uncertainty - government grant funding
254	Opportunity evaluation - short term fin planning only applied
255	Opportunity evaluation - 5 cs of credit
256	Opportunity evaluation - affected by skillsets
257	Opportunity evaluation - Assessment of benefits to society
258	Opportunity evaluation - Assessment of cash flows
259	Opportunity evaluation - Assessment of job to be done
260	Opportunity evaluation - Assessment of success criteria
261	Opportunity evaluation - Assessment of value proposition
262	Opportunity evaluation - design thinking - benefactor latent needs assessment
263	Opportunity evaluation - design thinking - empathy through establishing resonance with beneficiaries
264	Opportunity evaluation - design thinking - ideation stage impact theory developed
265	Opportunity evaluation - formulating solutions takes time
266	Opportunity evaluation - formulating viable business plan takes time
267	Opportunity evaluation - funders to be consulted
268	Opportunity evaluation - information uncertainty

No.	Code
269	Opportunity evaluation - level of innovation considered
270	Opportunity evaluation - market assessment to gauge interest comes first
271	Opportunity evaluation - marketing of idea improves success
272	Opportunity evaluation - need for business plan
273	Opportunity evaluation - needs assessment methodology
274	Opportunity evaluation - prototyping - fin modelling not used
275	Opportunity evaluation - replicability as eval factor
276	Opportunity evaluation - solving real problems easier to forecast
277	Opportunity evaluation - stepwise bricolage
278	Opportunity evaluation - stepwise development of requirements
279	Opportunity evaluation - sustainability to be assessed (fin impact)
280	Opportunity evaluation - viable business model sought
281	Opportunity evaluation - systems thinking linked to potential
282	Org form - Private can be competitive
283	Org form - Pure NPO must not make money
284	Org legal form - Form to follow function
285	Org legal form - hybrid NGO / PTY considered
286	Organisational Risk - Product related
287	Organisational success - cohesiveness
288	Organisational success - feelings of pleasantness
289	Organisational success linked to shared vision
290	Partnering - sharing of costs
291	Partnerships - extends org competencies
292	Partnerships - government benefits
293	Partnerships - Needs driven
294	Partnerships - Seek that align with vision
295	Partnerships -Enterprise development
296	Partnerships for sustainability
297	Piloting - gauge of org learning
298	Piloting - impacts not measured
299	Piloting - needs to be documented for knowledge retention
300	Piloting - proof of concept
301	Piloting - qualitative impacts only
302	Piloting - used to seek funding
303	Pre-evaluation - impact theory present
304	Pre-investment - knowledge of investor interest
305	Program design - documented procedure to enable continuity
306	Program design - use of consultants
307	Prototyping - as feedback mechanism
308	Prototyping - Assumptions about impact and value can be tested
309	Prototyping - creates clearer vision
310	Prototyping - development of concept requires funding and time
311	Prototyping - formalised ideas used to seek funding
312	Prototyping - Formalising ideas
313	Prototyping - good for technology tested

No.	Code
314	Prototyping - intervention failure
315	Prototyping - Measurement of impact linked to mission congruence
316	Prototyping - org strategy assessed
317	Prototyping - partial success - positive impact
318	Prototyping - pressure testing the business model
319	Prototyping - products and services can be tested
320	Prototyping - proven and endorsed
321	Prototyping - shortcoming in predicting scalability
322	Prototyping - shortcoming in predicting viability when margins are low
323	Prototyping - shortcomings in design can lead to deficiencies in measurement
324	Prototyping - testing impact theory
325	Prototyping as measurement tool
326	Prototyping as procedure effectiveness test
327	Prototyping as resource determinant
328	Prototyping- stakeholder involvement
329	Prototyping - early indication of shortcomings in impact
330	Qualitative data - Investors do not understand SE
331	Quantitative and Qualitative data considered
332	Quantitave data accepted due to familiarity of data type with investors
333	Re-investment - foundation - assessment cycles
334	Relevance - access to technology impacting on accessibility
335	Relevance - business environment
336	Relevance - current conditions
337	Relevance - impact of time on accessibility of outputs
338	Relevance - Not all targets interested in intervention
339	Relevance - timing of intervention
340	Relevance of intervention - root cause
341	Relevance required for Sustainability
342	Reporting - formats do not capture real value
343	Reporting - funders dictate formats
344	Reporting - private and corporate does not require
345	Reporting - tensions develop due to dictated format
346	Reporting- government requires full financials
347	Resource constraints - eval methodology affected
348	Resource constraints - no marketing materials
349	Resource constraints - spending power
350	Resource constraints - making do
351	Resource constraints - SE environment characterised
352	Resources - ability to empathise
353	Resources - attrition - due to energy inputs
354	Resources - attrition - due to limited opportunism
355	Resources - attrition - develop loyalty by developing people
356	Resources - attrition - due to onerousness of SE environ
357	Resources - attrition - due to underpayment (market)
358	Resources - attrition - poaching prevalent

No.	Code
359	Resources - closely linked to value creation
360	Resources - closely linked to value proposition
361	Resources - competencies linked to org performance
362	Resources - considered in evaluation
363	Resources - contextual embeddedness
364	Resources - financial impact of choices
365	Resources - fit and natural competencies more important than education
366	Resources - geography linked to availability
367	Resources - inexperienced skilled staff grafted due to resource constraints
368	Resources - influence of geographical and socio cultural
369	Resources - Lack of quality linked to loss of impact
370	Resources - need to believe in vision
371	Resources - need to develop / build capacity
372	Resources - no shortage of applicants
373	Resources - not necessarily determinable before prototyping
374	Resources - Onerousness of funder requirements
375	Resources - org competency / history reside with
376	Resources - organisational design - competencies per area
377	Resources - Quality (skilled) people required
378	Resources - right people - satisfied with low pay
379	Resources - scarcity in geography linked to cost
380	Resources - SE ideal for in-service training
381	Resources - separate teams for hybrid model
382	Resources - skills not important
383	Resources - treat as human
384	Resources - volunteers - some stay -willing to invest energy
385	Revenue - mixed income groups
386	Revenues - need to become self reliant
387	Revenues - unrestricted use
388	Revenues funding vision
389	Revenues used to fund core work
390	Risk reduction - Self funding
391	ROI - Fin mod prevalent in second round finance
392	ROI - fin modelling relevant when data is available
393	ROI - modelling in SE skills shortage
394	ROI - Not considered -self funded
395	ROI - not considered by foundation
396	ROI important for investors
397	Scaling - drive linked to need for intervention
398	Scaling - Internal capacity required to effect
399	Scaling - Resource intensive leads to failure
400	Scaling - scalability assessed
401	Scaling- linked to collaboration and partnerships
402	SE Context - mixing of different industries
403	SE Orientation - Beneficiaries linked to reason for SE

No.	Code
404	SE Orientation - born with it
405	SE Orientation - business principles the same
406	SE Orientation - change agent
407	SE Orientation - contextual influences
408	SE Orientation - delayed gratification
409	SE Orientation - Doing well and doing good
410	SE orientation - Emotionality driven by association with problem / beneficiaries
411	SE orientation - empathy and giving hope
412	SE orientation - growing into the role
413	SE Orientation - innovation of social energies
414	SE Orientation - Lack of effectuate properties moderate
415	SE Orientation - Leadership recognised by others
416	SE Orientation - linked - Entrepreneurial orientation
417	SE Orientation - Long term benefits
418	SE Orientation - multiple options explored
419	SE Orientation - opportunity costs
420	SE orientation - passion energises
421	SE Orientation - Resource constraints mitigated through self-sacrifice
422	SE Orientation - Reward lies in creating impact (not income)
423	SE Orientation - risk taking
424	SE Orientation - SE & Entrepreneurial intent
425	SE orientation - SE is innovative
426	SE Orientation - SEs invest energy, resources
427	SE Orientation - value moderated by social acceptability bias (institutional theory)
428	SE Orientation - entrepreneurial drive
429	SE stigma moderating value perception, capture and impact
430	Seed finance - sought based on experience
431	Seed Finance - sought without detail based on credentials
432	Seeking funding - Data to tell stories of org capacity
433	Seeking funding - forecasts and business case presented
434	Seeking funding - impact theory, self-monitoring and meaning evaluated
435	Seeking funding - investors focus on returns linked to fin performance
436	Seeking funding - need and ability to provide solution articulated
437	Seeking funding - quantitative more accepted
438	Seeking funding - reliance on secondary data (other success stories)
439	Seeking funding - reputation based on previous associations mediate
440	Seeking funding - retrospective qualitative only
441	Shared value partnerships
442	Shareholding - Inter-company - structure supports income
443	Social Entrepreneurs in SA not educated
444	Social impact - structured process followed in eval
445	Social innovation funders - building community
446	Social innovation funding - fills gap between start-up and impact investing
447	Social mission - Importance in evaluation
448	Social value - created by donor funding

No.	Code
449	Social value - created by other revenues
450	Social value - created through the value proposition
451	Social value - creation through job creation
452	Social value - dependent on markets segment
453	Social value - education does not equal contextual understanding
454	Social value - linked to scaling
455	Social value - Short term interventions not enough to build momentum
456	Social value - size of unproven programme - failure
457	Social value - Successful interventions linked to successful organisation
458	Social value - Understanding of context
459	Social value creation through building social capital
460	Sources of funding varied - grants, donors, DFI
461	SROI - Method relies on estimates and subjectivity
462	SROI - Wider definition
463	Stakeholder engagement - trust
464	Stakeholder engagement - information gathering
465	stakeholder engagement - multiple
466	Stakeholder engagement - community buy-in
467	Stakeholder impact - community support essential
468	Stakeholder impact - wider unintended consequences
469	Stakeholders - Affected parties - need to educate to enable interventions
470	Stakeholders - Affected parties - support of targets to participate in program
471	Stakeholders - All - fixed perceptions of SE impacting on engagement
472	Stakeholders - Angel investors - affect mission seeking return
473	Stakeholders - Beneficiaries - key influencing to SE
474	Stakeholders - Beneficiaries - engagement affects impact value chain
475	Stakeholders - beneficiaries - engagement takes time
476	Stakeholders - Beneficiaries - engagement thru dialogue
477	Stakeholders - Beneficiaries - Involvement creates stewardship / investor status
478	Stakeholders - Beneficiaries - needs assessment required
479	Stakeholders - Beneficiaries - quality service required
480	Stakeholders - Beneficiaries - targets under-resourced to resourced
481	Stakeholders - Beneficiaries - value perception essential can drive value proposition
482	Stakeholders - Beneficiary engagement forum
483	Stakeholders - board - does not understand SE
484	Stakeholders - board members - evaluate leadership
485	Stakeholders - community - addressing complex social systems
486	Stakeholders - community - have knowledge about solutions
487	Stakeholders - Donors - dictate mission
488	Stakeholders - Donors - impact requirements unspecific
489	Stakeholders- Expert evaluators - judges do not impact mission in start-up funding
490	Stakeholders - Expert evaluators - to be satisfied in foundations
491	Stakeholders - Funders - affect mission seeking specific impacts / outputs
492	Stakeholders - funders - compromise vision by selecting convenient targets
493	Stakeholders - funders - demand lower salaries than market

No.	Code
494	Stakeholders - funders - Direct / indirect impacts communicated
495	Stakeholders - Funders - evaluate impact value chain
496	Stakeholders - Funders - perception of hybrid models as deflection from vision
497	Stakeholders - Funders' perception of solution based on intuition
498	Stakeholders - Investors - affect mission seeking return
499	Stakeholders - investors - affect mission through board participation
500	Stakeholders - investors - affect mission through measurement req
501	Stakeholders - investors - drive changes in BM - sometimes required
502	Stakeholders - Investors - drive for commercialisation influencing mission
503	Stakeholders - Mentors - drive for commercialisation effecting mission
504	Stakeholders - Partners - sometimes have knowledge of community
505	Stakeholders - Partners - sometimes have knowledge of opportunities
506	Stakeholders - perception of SE - social desirability bias impacts on relationship
507	Stakeholders - Staff - to evaluate leadership
508	Stakeholders - transparency in margins
509	Stakeholders - variable - all spheres
510	Stakeholders - Venture capitalists - affect mission seeking return
511	Start-up phase - founder does not take salary
512	Start-up phase - founder was unknowledgeable
513	Start-up phase - need to prove org capabilities
514	Start-up phase - org ecology can dictate length to sustainability
515	Start-up phase - skills volunteering
516	Structured processes - Reduces risk
517	Sustainability - at least 50% own revenue
518	Sustainability - Beneficiaries - need to recognise value
519	Sustainability - CEO to focus on resourcing and funding, new beneficiaries
520	Sustainability - clear but not finite strategy
521	Sustainability - creating a future need through interventions
522	Sustainability - creating a market
523	Sustainability - Creating sustainable business linked to solving real problems
524	Sustainability - cross subsidising
525	Sustainability - Donations are temporary
526	Sustainability - entrepreneur to be self-sufficient
527	Sustainability - experience as mediating factor
528	Sustainability - Impact comes first then find fin sustainability
529	Sustainability - importance of mentoring
530	Sustainability - Income generation in all organisations (P4)
531	Sustainability - Intertwined with social value
532	Sustainability - Investors required
533	Sustainability - Leadership abilities judged by funders
534	Sustainability - linked to adaptability to context
535	Sustainability - linked to available cash
536	Sustainability - linked to beneficiaries
537	Sustainability - linked to cash flows
538	Sustainability - linked to compliance and governance

No.	Code
539	Sustainability - linked to geographical area
540	Sustainability - linked to independence thinking
541	Sustainability - linked to investment opportunity
542	Sustainability - linked to scaling
543	Sustainability - linked to SE motivations
544	Sustainability - linked to variable bus model
545	Sustainability - linked to value creation
546	Sustainability - long term planning required for finances
547	Sustainability - long term view required do to SE Context
548	Sustainability - moderated by grant dependency
549	Sustainability - multiple strategies required to ensure
550	Sustainability - performing employees
551	Sustainability - programmes delegated to subordinates
552	Sustainability - Real value not wasteful philanthropy
553	Sustainability - scenario analysis used
554	Sustainability - Social - linked to context
555	Sustainability - Social interventions take time
556	Sustainability - taking care of beneficiaries
557	Sustainability - taking care of employees
558	Sustainability - value capture essential
559	Sustainability - continuous financial planning required
560	Sustainability - linked to shared vision in organisation
561	Sustainability - Impacts - adding products that will perpetuate
562	Tension - funders / org - good relationship mitigates tension
563	Tensions - caused by corporate and fin jargon
564	Tensions - funder / org - resolved through exit funding
565	Tensions - partners - mitigated by communication
566	Tensions -funders / org - resolved through dialogue / comms
567	Tensions - funder / org - changes in mission due to context or other
568	Tensions - Government not aligned with vision
569	Tensions -funder / org - mission compromised due to non-funding
570	Time impact - learning curve
571	Trade-offs - balance between income and philanthropy
572	Trade-offs - commercialisation optionality available
573	Trade-offs - Cost / benefit analysis
574	Trade-offs - Impacts vs profit
575	Trade-offs - not present with sufficient capacity
576	Trade-offs - Planned income dictates planned activities - flexibility
577	Trade-offs - Profits first, Impact later endorsed by funder
578	Understanding the market - Customers often not the same as beneficiaries
579	Value capture - affected by stigma of SE (must be cheaper)
580	Value creation - creating structures that support value creation
581	Value creation - linked to products and services offered
582	Value exchange - bartering
583	Value perception - beneficiaries to recognise as solution to their problems

No.	Code
584	Value perception - products need to be sellable
585	Value proposition - affordability
586	Value proposition - amplified by partnerships
587	Value proposition - beneficiary value not same as social value
588	Value proposition - broad impacts sought
589	Value proposition - create market through customer education
590	Value proposition - creates social value through accessibility
591	Value proposition - creates social value through relevance
592	Value proposition - information certainty mediates
593	Value proposition - linked to direct and indirect impacts
594	Value proposition - multiple layers of value created
595	Value proposition - need for technical feasibility
596	Value proposition - need to communicate clearly to funders and investors
597	Value proposition - SE stigma (charity) affects value perception (quality)
598	Value proposition - value exchange (in paid services)
599	Value proposition - various avenues of value explored
600	Value proposition closely linked to mission
601	Value proposition effectiveness - importance of context
602	Value proposition formulated at start of evaluation
603	Value proposition - depends on market segment
604	Value proposition - environment changes over time
605	Venture creation - skills required for evaluation
606	Vision - concrete and tangible
607	Vision - contains effectiveness and strategic imperatives
608	Vision - developed through abductive reasoning
609	Vision - not static

Appendix F – Code Groups

Code Groups

Attractiveness to invest
Sustainability - Business model
Evaluation - Informal
Needs assessment
Piloting process
Piloting as proof
Piloting to test
Mission influencing factors
Impact forecasts - factors of accuracy
Impact forecasts - factors of inaccuracy
Impact forecasts - Industry
Emotionality in SE
Credibility
Business environmental change
Sustainability - Financial
Sustainability - Social Value
Sustainability - leadership
Sustainability - Resources
Sustainability - Value creation
Social Value Creation - Enabling Factors
Value perception
Evaluation - Available resources
Agility
Value exchange
SE Context - Internal constraining factors
BM - Creation and delivery of value
Resources - Qualities
Influence of board members
Patience in SE
Resources - Attrition
Resources - Deployment
Evaluation - formal
Targets
Organisational form
SE Context - External constraining factors
SE Context - External enabling factors
SE Context - Internal enabling factors
Financial management
Governance
Impacts - dictated
Trade-offs
Grant funding
Entrepreneurial orientation

SE Context - Perceptions
Tensions in SE
BM - Value proposition
BM - Social value proposition
BM - Value capture
BM - Market creation
Prototyping
Funding
Impact measurement - outputs
Impact measurement - direct
Impact measurement - indirect
Impact measurement - comprehensive
Impact measurement - context
Social value creation - Determining factors
Social value creation - Constraining factors
Impact theory - Development
Impact theory - Application
Stakeholders - Funders' Influences
Stakeholders - Partner's influences
Stakeholders - Beneficiaries' influences
Stakeholders - Community influences
Innovation
Stakeholders - Resource influences
Leadership - enabling
Leadership - Industry
Leadership - motivations
Evaluation - Industry
Evaluation - Financial
Organisational Risk
Nascent phase
Vision and Mission
Partnerships
Stakeholders - context
Scaling Social Enterprises
Fin forecasts

Appendix F – Additional Support

21. APPENDIX 5 CERTIFICATION OF ADDITIONAL SUPPORT

(Additional support retained or not - to be **completed by all students)**

Please note that failure to comply and report on this honestly will result in disciplinary action

I hereby certify that (please indicate which statement applies):

- ~~***I DID NOT RECEIVE*** *any additional/outside assistance (i.e. statistical, transcriptional, thematic, coding, and/or editorial services) on my research report:*~~ ....
- ***I RECEIVED*** *additional/outside assistance (i.e. statistical, transcriptional, thematic, coding, and/or editorial services) on my research report* ✓
....

If any additional services were retained– ***please indicate below which:***

☐ ***Statistician***

☐ ***Coding (quantitative and qualitative)***

☑ ***Transcriber***

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70

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I hereby declare that all *interpretations (statistical and/or thematic) arising from the analysis; and write-up of the results for* **my study was completed by myself without outside assistance**

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71