

“Dependent” and “Independent” social enterprises: a comparative study of organizations in international perspective

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The paper is dedicated to organizational dependence – independence of social enterprises (SEs) taking into account their multifaceted nature and complex business models shaping in line with the task of solving social problems at the crossroads of market, not-for-profit activity and state regulation. The paper is aimed at theoretical and empirical clarification of organizational nature of SEs on the basis of the international comparative study. We aimed to clarify the following issues:

- To what extent the SEs in different countries (macro-regions) are oriented to the distinct forms of partnerships and do any of them have special bias to the state?
- What factors play the main role in the character of a SE partnership (interactions) with stakeholders?
- Do partnership forms relate to the level of independence of a SE from some bigger organizations or from the state?
- Can we say that “independence” is most likely a characteristics of predominantly market oriented SEs (in terms of business model choice)?

As the sampling frame of the survey we used the database of the fellows of Ashoka International network — the largest organization supported the leaders of social entrepreneurship worldwide. Respondents filled online a formalized questionnaire with 76 questions, and for the period from May through November, 2012 we received 128 questionnaires from 38 countries worldwide filled in English or Spanish. The subject of the research is social and economic activity of the SEs including strategy formation, assessment of condition of the target social groups, fundraising, partnership with other organizations, interactions with local and central governments, social, economic and institutional barriers of organizational activity. The data were processed with a SPSS package.

1. Geography of the study

The sample was based on open lists of the fellows (Innovators for the Public) of an international non-for-profit organization «Ashoka» globally supporting leaders-innovators in the field of social entrepreneurship². First of all, 50 countries located in Asia, Africa, Europe, North and South America were selected — 10 in each of 5 continents. Upon making personal contacts by email with social entrepreneurs from selected countries, invitations to take part in the survey were disseminated. The choice between the English or Spanish questionnaires was optional for the respondents.

The total return rate of filled questionnaires is about 9% of the all attempts to establish contacts. Attainability varied significantly across the countries and continents (Table 1). From one hand, such low return rate shows high vulnerability for bias and for the risks that the sample represents nothing but

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² <https://www.ashoka.org/fellows>

itself. From the other hand³ some fractions of no-return can be interpreted as an index of the open data reliability in a hole and in the field of SE in particular. There are incalculable chances that formerly included in the database entrepreneurs, over time, can change (even if temporally) their frame of references, stop office activities, and even cease to exist.

Table 1

Representation of organizations across countries and continents in the sample

Countries	N in the Ashoka's dBase	% of return	N in the sample	% in the sample
Europe			19	15,2
Czech Republic	27	7	2	1,6
Germany	46	2	1	,8
Hungary	29	3	1	,8
Ireland	11	9	1	,8
Lithuania	8	25	2	1,6
Netherlands	2	100	2	1,6
Spain	24	29	7	5,6
Sweden	4	50	2	1,6
United Kingdom	17	6	1	,8
North America			35	28,2
Canada	44	2	1	,8
Costa Rica	11	27	3	2,4
Guatemala	5	20	1	,8
Mexico	173	8	14	11,3
United States	179	9	16	12,9
South America			30	24,1
Argentina	59	10	6	4,8
Bolivia	23	4	1	,8
Brazil	292	1	4	3,2
Chile	41	12	5	4,0
Columbia	52	17	9	7,3
Ecuador	31	3	1	,8
Paraguay	15	7	1	,8
Peru	37	5	2	1,6
Uruguay	20	5	1	,8
Asia			32	25,7
Bangladesh	61	2	1	,8
India	315	5	16	12,9
Indonesia	138	3	4	3,2
Jordan	8	13	1	,8
Nepal	41	7	3	2,4
Pakistan	45	7	3	2,4
Palestinian Territory	9	11	1	,8
Philippines	1	100	1	,8
Thailand	92	1	1	,8
Turkey	27	4	1	,8
Africa			8	6,4
Burkina Faso	30	3	1	,8
Kenya	29	3	1	,8
Nigeria	73	5	4	3,2
South Africa	102	2	2	1,6
Total			124	100,0

³ "Low response rates may indicate the potential for bias in the results but they do not necessarily mean that bias exists" (University of Chicago 5Essentials [Survey] Support Center, 2012).

Then in a certain sense our sample can be seen as a reliable mirror which reflects the global picture of the acting SEs during our fieldworks.

Since the return from the different geographical regions is not very high, for further analysis we split all the countries into 3 approximately equal groups, as shown in Table 2.

Table 2

The total distribution into 3 macro-regions, %	
Group	In the sample
Asia and Africa	32.3
Europe and Northern America (USA and Canada)	28,0
Latin America (Americas except USA and Canada)	38.7
Total	100.0

2. Research and sampling limitations

As social enterprises we mean organizations of social entrepreneurship, satisfying 3 basic conditions: (a) mission to solve a certain social problem throughout a society (or mitigation of its gravity), b) economical sustainability and self-financing, i.e. a significant share of financial resources is made by sales of goods or services to the market, c) to carry out its social mission the enterprise proposes new earlier unavailable solutions (innovations), which ensure high quality changes in the characteristics of services (new services), or in the way they are provided (a new business model, a new combination of resources, access to new, as a rule vulnerable groups of clients, for which such services were unavailable). Taking into account the database used, the backbone of which is made by organizations, established by Ashoka fellows, we had to partially depart from the stringency of the second criterion. For Ashoka the main, although not the only criterion of promotion to nominees is qualitative social changes (i.e. unification of the first and the third criteria), while the criterion of market self-financing is not mandatory. Many Ashoka fellows operate on charity funds. Moreover, in many countries the mass private charity is a sustainable economic resource.

We didn't manage to reach the target number of respondents (300 persons) in the course of the research, which has significantly limited the opportunities of quantitative analysis of obtained data. The method of involving the respondents to the survey improved in the course of the field works, which allowed overcoming difficulties connected with legal limitations of provision of personal data to third parties, existing in most countries and complicating the sociologists' efforts to perform email-based surveys.

The mechanism of recruiting social entrepreneurs was especially difficult, because on the one hand we had internationally recognized leaders of social entrepreneurship from the Ashoka fellows' database, on the other hand – no emails, and sometimes even scarce titles of the organizations (social enterprises) founded by them were available on the Ashoka website. That's why at the first stage we had to search contact details by surnames of respondents and names of organizations in open information sources. So, the initial list of social entrepreneurs decreased from some 2,000 to some 500. That is why we also used 2 other communication channels — Facebook and LinkedIn.

3. Prerequisites of research and first assumptions

The theme of the study is basically predetermined by the problems faced by Russian social entrepreneurs while establishing a SE – both related to not-for-profit organizations by their business

legal structure and to small business. In Russia due to weakness and instability of the small business and limited not-for-profit sector the role of major and so far firmly established organizations and governmental structures is rather high – both at the early stage of organizations’ development, and at the stage of scaling. This is conditioned by high barriers to the market entrance, insufficiency of support infrastructure – private charity, financial institutions including micro-financing, [as well as by availability of consulting and training services](#) for private customers and small companies. Under such situation not only social enterprises but also small businesses and NPO need support and take risk of being subordinated by a larger player – an organization of a donor, supplier, intermediary organization of either private, [or public/ state or not-for-profit sector](#). In this regard, we are interested in analysing the role of such organizations in the development of social enterprises in other countries, and whether it is possible to talk about elements of dependence on such major partners in such a case – be it of social, organizational, [financial nature](#).

Here, it’s worth clarifying the choice of terms “dependence” – “independence”. First of all, they are quite conventional. It’s not a matter of autarchy. In contemporary societies, and moreover in developed economies, the enterprises cannot be purely independent, [for they work](#) in cooperation, but their place on the market and success opportunities are conditioned by increasing division of labour and plurality of market segments, which increases mutual interdependence of organizations in both economic (market performance, supplies, quality of partners and competitors’ products and services, etc.), and organizational [aspects](#) (organizational isomorphism). Besides, most of organizations use borrowed funds, loans, investments, grants, etc. in their regular activity, which makes them “dependent” on both specific organizations, and on the organizations’ practices accepted in a certain place or a country. [That is why we mean dependence as a risk](#) of a single organization or a governmental structure imposing standards of conduct, practices, etc. on a social enterprise.

[Secondly, we suppose that a “patron” representing a governmental structure, a major customer or a donor tends to affect social enterprises activities and/or their evaluations](#). In turn this may affect the purposes and means of their achievement, i.e. a social mission of the enterprise, or the mission realized by a SE may be chosen of own free will of its founders, but externally pre-set by another affiliating organizational structure. In Russia such social enterprises would be defined as “pocket” organizations, be they trade unions or NPO, and in the international discourse — as by Government organized non-government organizations (GONGOs). It would be interesting [to compare the situation in the worldwide](#).

Thirdly, the necessity of protection from a stronger organization may be a strategy consciously pursued by a small organization under conditions of the alien environment, quite often new players face the resistance of the already existing – such as competitors or certain social groups. In such cases, availability of a [“patron”](#) might have no negative connotation and serve as an umbrella for the development of social entrepreneurship until it recovers.

Fourthly, we realize that the obtained database contains information on rather *unusual* enterprises, (a) since the social enterprises, according to many experts, are hybrid organizations, combining the features of a NPO, rendering social services, a private business and a charity organization, and (b) since their top managers and/or founders [are outstanding people of a](#) marked individuality, who have already proved their social efficiency by social entrepreneurship in their countries.

4. Affiliation to the state or a major donor

The direct question on independence [was answered rather positively by 94% of respondents, so we had no opportunity to distinguish dependent SEs at once](#) (Table 3).

No one “dependent” social entrepreneur indicated that his/ her SE is related to a certain governmental structure, but they did indicate their affiliation with NPOs and mixed (private-public) entities. At the same time 33% of the respondents noted their independence and their affiliation to larger organizations of national and international scale⁴.

Table 3

Distribution of answers to the question: Is your organization an independent enterprise, i.e. legal entity that defines its goals and means of their achievement? N=124 (%)

Yes	87,1
Probably yes (organization is independent but exists on informal basis without the establishment of legal entity)	6,5
Probably no (organization is formally independent but in fact is subordinate to another organization)	3,2
No	1,6
System missing	1,6
Total	100,0

Organizational independence doesn’t make affiliation to larger organizations/ associations and partnerships irrelevant. The research has shown that even independent organizations are frequently members of bigger organizations. 36% of organizations or 41 respondents answered this question in the affirmative. It’s noteworthy, that the next question on the size of such bigger organization, the respondent’s organization being its member, has been answered by much more respondents, than the number of those who answered “yes” to the first question (90 vs 41). One can assume that actually the membership in bigger organizations is spread among the participants of the survey much wider and exceeds the limits of 36%, although, probably, has an informal character, or the selected form of association doesn’t require formal membership. Probably, the positive answers concerning membership were less numerous because of the fact that this question followed those on independence and the respondents considered the issue of membership as a continuation of the theme of their organizational subordination.

An important indicator of social enterprise’s independence is the structure of its income by sources. Only 6.5% of SEs (table 4) may be attributed to having risk of being subordinated by a state, the share of governmental subsidies and grants making not less than one half of its total proceeds.

Table 4

Share of government subsidies and grants in income structure of the social enterprises

Share of government subsidies in income structure	Ratio of the SEs, %
0 %	74,2
1–30 %	19,4
50–95 %	6,5
Total	100,0

Of course, the abundant government subsidies are not the only factor of dependence risk. If we assume that every source (including commercial, and even not-for-profit entity), which permanently gives at

⁴ Answers to the question: If your organization is independent, does it at the same time form part of another organization/ association, group of companies, public association?

least a half of a SE's budget, makes a SE vulnerable, the overwhelming majority of the SE appear independent.

Table 5

Ratio of the social enterprises, having in their income structure sources amounting to above 30% of the total income by sources of income, %

Share in the structure of SEs incomes	Government subsidies and grants	Contributions and grants by non-governmental funds	Contributions by commercial organizations	Memberships fees, contributions by founders / owners	Total
Above 30 %	6,5	16,1	4,8	3,2	31
Including above 50%	6,5	8,1	2,4	1,6	19

Even according to the most pessimistic version, not more than 19% SEs may be attributed to the risk group of losing their independence due to financial reasons (Table 5).

Configurations of the main clients⁵ enabled evaluating risks of in/dependence of the SEs from the state. We sorted clients /recipients of services by belonging to three sectors: public/state, for-profit, and not-for-profit.

Table 6

Distribution of the respondents' answers by the clients' belonging to public/state, for-profit, not-for-profit sectors, as well as to their combinations

Clients' belonging to sectors	Ratio of SEs, %
Only from the first (public/state) sector	1,0
Only from the second (for-profit) sector	9,0
Only from the third sector (not-for-profit)	36,0
From the first and the second sectors	2,0
From the first and the third sectors	12,0
From the second and the third sectors	28,0
From all the three sectors	12,0
The total	100,0

It's quite logical to assume that risk to be dependent (to lose opportunity of defining goals and means to achieve them independently) increases if the customer base is limited, particularly, by counter-parties, related only to the public/state sector.

The risk is decreasing if a client base of a social enterprise is diversified, i.e. if alongside with customers of the first sector (public-state), a social enterprise works with the clients from other sectors. But in this case the risk may principally maintain. Only 1% of respondents pointed to a governmental/state structure as the only client of the enterprise, 14% render services to both state clients and clients from other sectors. Due to insignificance of shares it's incorrect to establish country-based or any regional specifics of the social enterprises. At the same time, an example of the only respondent whose client has been a governmental structure shows how expectations linked to the formal attributes of the social enterprise's activity may be different from the actual scope of its activity. In our example this SE cooperates with the police departments and policemen's families for preventing family violence and

⁵ Answers to the question: **Who is the main client / recipient of the services of your organization?**

suicides. In this case, the question is not on attracting governmental sector's resources to solution of the social problem, but on solving a social problem existing within the sector. This SE is hardly capable to intervene the operations of the police and the performance of police functions, but it is called to solve a social problem within the police so that a state service could operate according to public sector's rules.

We checked another aspect of possible organizational dependence — an orientation to dependence. The respondents were asked to dis/agree with a set of separate statements (Table 7).

Table 7

Attitudes towards some statements, % (N=124)

Statements	Agree	Disagree
Social enterprises should operate based on the commission from the government / be financed by the government	4,8	95.2
Social enterprises should exist based on funds from charity	9,7	90.3
Social enterprises should know how to generate income themselves	72,6	27,4

The overwhelming majority of respondents are oriented to economic independence of the SEs both from the state (95%), and the charity funds (90%). Most of respondents (73%) agree that SEs **should know how to generate income themselves**. Among those disagreeing with the concept of the total self-sufficiency of the SE, there is no respondents who would agree to orient its activity simultaneously to state and to charity funds. In other words, disagreement to organize a social enterprise according to self-financed business was advocated by the minority of respondents, but this does not mean their willingness to take a welfare-oriented standpoint, which is a downside of the dependence on a strong player or on hothouse conditions.

Then an attempt to form a combined index with the variables characterizing a strong influence by **outer** presumably powerful agencies on SEs' creation and activities was made. The following variables were selected:

- 1) self-appraisal of organizational autonomy,
- 2) government agencies among the main client / recipient of the goods / services of SE,
- 3) expressed consent with the statement "Social enterprises should operate based on the commission from the government / be financed by the government",
- 4) expressed consent with the statement "Social enterprises should exist based on funds from charity",
- 5) expressed disagreement with the statement "Social enterprises should know how to generate income themselves",
- 6) more than 30 % of the government subsidies and grants in the SE budget,
- 7) pointing the support by some government officials / political elite as a "very important" or just "important" factor for the establishment of the SE,
- 8) pointing the support by some government officials / political elite as a "very important" or just "important" factor for the success of the SE today,
- 9) pointing that a government / public organization strongly supported the SE while the latter being created and established,
- 10) pointing that the patronising organization is a donor / investor for the SE,
- 11) pointing that the patronising organization is a customer for the SE,
- 12) pointing that the patronising organization is a supplier of goods / services for the SE.

Every listed above variable was imputed with 1 point in dependence. Every possible composition of the variables to make a summative index of were checked for discriminating SEs, which are to be vulnerable

to dependence from a government / state but useless: the overwhelming majority of the social enterprises (90–95 %) did not score more than 3 points in dependence with an absolute record of 6 points by a single SE. However, this doesn't mean the surveyed SEs as a specific category of moral economy agencies are free of dependence upon state backing and state operation (or unfit variables were used for the purpose).

5. Support by other organizations and factors favourable to the SEs' activities

We wouldn't like to reduce the issues of support of the social enterprises by other organizations and structures exceptionally to the problem of dependence on state, or to organizational dependence in general. This issue should be treated very cautiously, since replies to the same questions mean different content in different institutional conditions of the countries the respondents operate.⁶ Unfortunately, scattering of countries and sampling volumes disallow to evaluate county differences properly. Consolidated grouping of countries, we could use, simultaneously with identification of territorial differences level inter-state differences within a territorial group. Besides, only a certain part of questions the respondents were asked should be compared due to systemic gaps.

Table 8

While establishing your organization, did you depend on a support of another already established organization?	Yes	32,8
Which sector does the helping organization belong to?	government/ public	4.8
	profit	28.6
	non-profit/ non-government	52.4
	mixed	14.3

As assumed above, mass gaps of some questions along with a high level of response to proximate questions, may indicate self-censorship tendency of the respondents, or a certain question being perceived in a negative connotation. We paid attention to such phenomenon asking about membership of a larger organization (see the beginning of this paragraph), which in the questionnaire context could be regarded as a hint to organizational dependence. Here the idea of self-censorship is suggested by the difference in the number of respondents answering the question on success factors of the organization at the stage of its establishment and the following question, if a social enterprise relied on the support of the existing organization during its establishment. As for the success factors during the establishment of the organization including donor's support and partnership with other NPO, 70 respondents expressed their views, 64 respondents answering the question on the support of already existing organization, and merely 21 respondent giving replies on the supporting organization's corporate form (Table 8). Speaking of the backing/ underlying organization at the stage of the enterprise establishment, hardly the respondents could fail to know the sector it belonged to. It's noteworthy that from 1/3 of respondents to the question on the sector of the supporting organization, only 1 pointed to support of the state/ public organization, while above ½ - to support of the non-public/ not-for-profit organization. Support of the last type can be attributed to socially approved situation, while the first-type support to

⁶ In perspective we intend to hold in-depth interviews with some of them following the results of performed quantitative analysis

disapproved one in view of discussions on GONGO, especially in the third world countries, more than half of the respondents belong to. Quite naturally, we don't suspect the social entrepreneurs of the ASHOKA organization to form GONGO. Prior to being nominated, they and their work are subject to thorough and multi-stage selection, which is much more informative and meticulous than our analysis. Rather the respondents themselves may be sensitive to this subject and due to this reason less open-minded in answering certain questions of the survey.

The answers about supporting organization while [establishing a SE](#) among the groups of countries are quite curious (table 9). Most of the negative answers relate to the enterprises of the Afro-Asian region, while most of the positive answers to the European social enterprises. One can assume two variants of the situation development. The first continues the logics of the previous discourses on higher sensitivity of the Afro-Asian countries to GONGO theme and to perception of external support as a vulnerability of the civil society enterprise, the social enterprises are related to. At least in publications GONGO problems are most often discussed as applied to this Afro-Asian region (Naim, 2007; Al-Najjar, 2008; Wilson, 2012). On the contrary, the European countries are less exposed to fear of external influence because of long-lasting traditions of civil cooperation and wide-spread state support of social entrepreneurship.

Table 9

Support of newly-established SEs by other already established organizations in different regions⁷, %

Regions	Support rates
Africa and Asia	23,5
The USA+ Canada	33,3
Latin-America	39,1
Europe	42,9
Total	34,8

The second interpretation develops the theme of two approaches to evaluation of the social entrepreneurship – Anglo-American (market-oriented) and European (focused on social interaction, traditions of cooperation and democratic management of social enterprises) (Alter, 2007; Defourny, Nyssens, 2010). In such a case, two approaches are transformed into at least four:

- a) Independent / heroic social entrepreneurship project with no direct organizational support from the outside,
- b) Development under support of NPO (here several variants are mixed — development under support of network horizontal and vertical non-commercial structures and non-commercial funds),
- c) Development under support of governmental / public structures or public-private mix,
- d) Development with reliance on a commercial company (with certain inherent peculiarities – e.g., venture philanthropy, socially responsible business, standard corporate charity, etc.).

[Of course, the data in Table 9 present rather a starting point for further inquiry than for generalizations.](#)

Independence of a SE also was characterized in terms of a list of the 14 resources to be estimated as more or less important (a) at the moment of its foundation and (b) for its successful operation thereafter, see below tables 10 and 11. A factor analysis reveals 2 points:

⁷ Answers “yes” to the question: **While establishing your organization, did you depend on the support of any other already established organization?**

- 1) Favourable for SEs foundation and their successful operation conditions are categorized similarly,
- 2) The same categories may compose different factors impacting the SEs' successful foundation and operation thereafter.

Factors favourable to the establishment of ES

The respondents were asked to evaluate the importance of each of the 14 listed situational characteristics for the establishment of their SEs, and a 6-factors model was selected for analysis⁸.

The 1st factor, **Patronage**, is composed with the items of support by government officials, celebrities and prominent businesspeople. This kind of support is supposedly specifically personified.

The 2nd factor includes **professionally relevant qualities** of the SEs leaders and teams.

The 3^d factor is shaped with **the partnership** joint activities (and actions) in the fields of the private and civil sectors. Here institutionalized partners are found via off and on-line networks for the sake of socially significant targets with no preliminary personal contacts neither acquaintances.

The 4th factor (**Networks**) refers firstly to informal interested social groups and close relationships circles and, secondly, to on-line interested communities.

Table 10

Conditions favourable for SEs foundation: matrix of the rotated (Varimax) components

	Factors					
	1. Patronage	2. Professionally relevant qualities	3. Partnerships	4. Networks	5. Shared values	6. Start-up capital
Support by government officials / political elite	,886					
Support by celebrities	,792					
Support by prominent businesspeople	,717					
Previous professional experience of the leader		,886				
Business savvy of the leader and top managers		,717				
Previous professional experience of the team		,714				
Partnership with non-profit organizations			,758			
Partnership with profit-making organizations			,643			
Use of the Internet and electronic social networks			,534	,436		
Support by informal social groups				,791		
Free help of the 'close circle'				,712		
Support by donor organization(s)					,818	
Support by individuals sharing values					,724	
Availability of the start-up capital						,855

⁸ The number of factors was defined with stone scree method; 76 % of the explained variance; the Kaiser-Meyer-Olkin measures of sampling adequacy is equal to 0.707; Bartlett's sphericity criterion is significant at 0.000.

The 5th factor reflects the search for formally institutionalized partners and individual agents based on **shared values**.

At last the 6th factor links the establishment of a SE with the availability of **start-up capital**.

Ascribing to every SE their factor loads permits to compare the relative impact of each factor on the SE foundation in the macro-regional perspective, computing the means of the factor loads separately for every macro-region: the values over zero show positive impact, while the subzero values show a reverse situation (fig. 1).

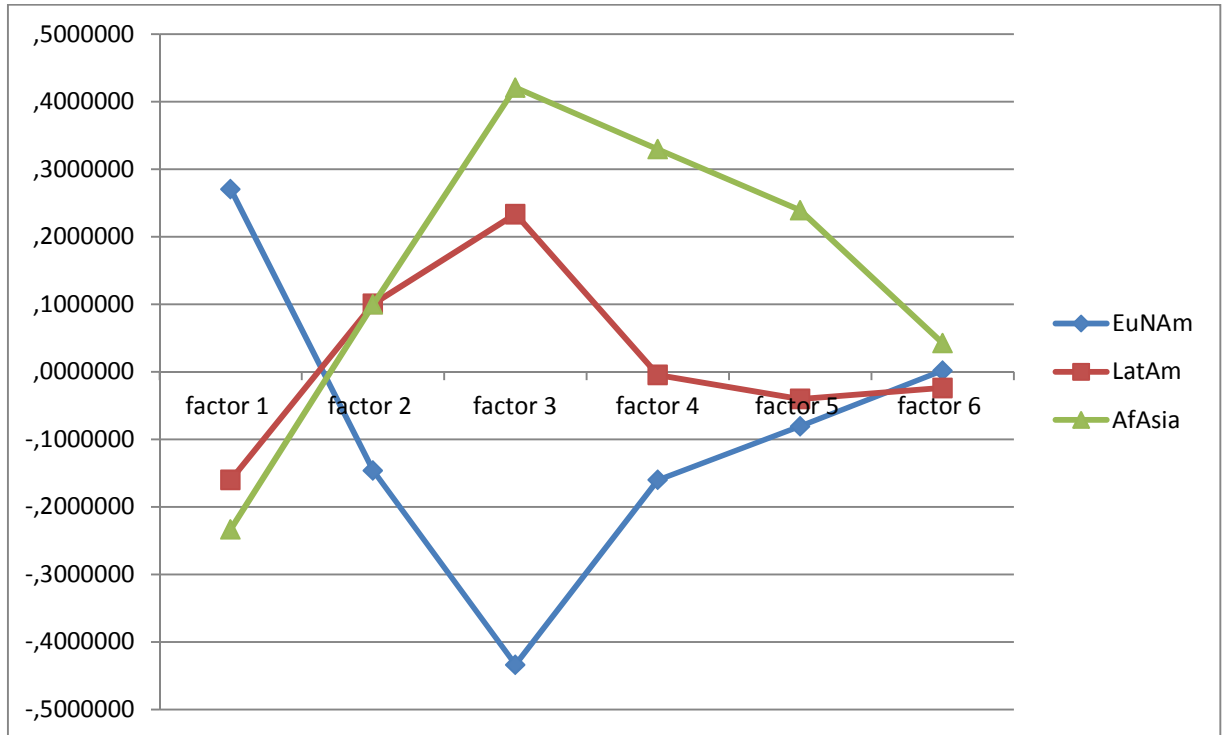


Fig. 1. Relative factors impact on the SE foundation in the macro-regional perspective.

Although some interregional differences are salient, and the others are not, the macro-region of Europe and Northern America is rather the antipode to the rest of the world. Particularly, the differences in factor 3 — partnerships with the stakeholders while establishing the SEs — between the “large” Europe and the global rest are statistically significant at $p < 0.000$. It is to analyse further why the stakeholders are not taken in account in Europe but in all the other continents. A reverse situation is observed with the patronage, being it important for Europe and neglected in the rest of the world.

A much less sharp contrast between Europe and the world is seen with the 2nd factor of the leader and the team professionally relevant qualities, which are relatively more important for the third world countries, than for the first and the second ones.

Establishing networks partnerships embedded in the shared values is very important only for the macro-region of Africa and Asia. The factor of the availability of start-up capital has no regional specificity.

Factors favourable to the ESS' successful operation

A similar but different in details configuration of favourable impacts on ES actual situation was found⁹. Compared to the 1st factor of the first model, **Patronage**, the support by government officials,

⁹ A 5-factor model would fit better for the data according to the both criteria of Kaiser and a stone scree, but it was rejected just for the sake of comparability. 80 % of the explained variance; the Kaiser-Meyer-Olkin measures of sampling adequacy is equal to 0.697; Bartlett's sphericity criterion is significant at 0.000.

celebrities and prominent businesspeople was added with donor organizations. [The new 4 items combination \(table 11\) can be interpreted as](#) establishing personal contacts with prominent people and orientation for “big players”. The items [combination](#) of the first model [supposedly shows](#) that a prominent individual is free(r) from accountability to support a new enterprise starting by people with no reputation. For the donor organizations are doubtlessly rather vulnerable to accountability, we can guess we have found the point of differences: an achieved reputation allows SEs to include donor organizations to the list of their targets, otherwise the latter would be unable to explain the spending.

Table 11

Conditions favourable for SEs’ successful operation: matrix of the rotated (Varimax) components

	Factors					
	1. Patronage	2. Networks	3. Partnerships	4 Professionally relevant qualities	5. Business savvy	6. Close circle
Support by celebrities	,839					
Support by prominent businesspeople	,821					
Support by government officials / political elite	,814					
Support by donor organization(s)	,612					–,431
Support by individuals sharing values		,778				
Support by informal social groups		,768				
Use of the Internet and electronic social networks		,704		,481		
Partnership with «profile» non-profit organizations			,918			
Partnership with «profile» commercial organizations			,834			
Previous professional experience of the team				,844		
Previous professional experience of the leader				,710		
Strategic investors					,792	
Business savvy of the leader and top managers				,466	,763	
Free help of the ‘close circle’						,832

The social networks moves to the second position from the fourth one, having partly changed the list of [its](#) items. The support [by](#) interested informal social groups and the use of electronic social networks remain unchanged. But the assistance by the close circle agents is replaced with the support of presumably strangers sharing the values of the SEs. This change looks logical: being unknown among strangers, with no public reputation, a SE has to rely on the close circle of its members, which can turn into an impediment, having a SE got a public profile. The close circle is often scarcer in resources than the big world.

The 3rd factor of the partnerships in the fields of the commercial and non-commercial sectors basically remains. The second model loses the item of a wide search of the partners via Internet; it can be understood as follows: at the beginnings Internet may be an efficient instrument in impersonal recruiting strange volunteers for socially significant aims. Later the established contacts with interested participants lose their anonymity and turn into personal acquaintances. Establishing a small number of

long-term partnerships becomes more crucial for a SE than involving wide circles ad hoc volunteers with unstable loyalty. Here we have a trend reverse to the 2nd factor, where the personal relationships are replaced the impersonal ones in the opposite direction.

The 4th factor (formerly the 2nd one) pastes together professionally relevant qualities of the SE team and leader but in a different configuration.

At the initial stage the leader and team professionalism was strongly linked to the savvy of the leader and top managers. At the stage of operation the latter is more strongly linked with (finding of) a strategic investors in the separate 5th factor.

As for the leader and team professionalism, its relatively weaker link with the tops' savvy is supplied with the item of use of the Internet and electronic social networks. A possible inference is that this new configuration is loaded with the SEs involved in on-line businesses. Those SEs, which rather depend on (off-line interactions with) their strategic investors, give their loads to the new (absent in the first model) 5th factor.

At last, the new 6th factor includes the single item with positive load in assistance of the close circle and with the negative one in support of donor organizations. Here we expect low-cost activities of a very local scale.

Some macro-regional differences are to be noted (fig 2).

Patronage is the least important factor for SEs successful operation in the Latin America, which opposes to the rest of the world.

Asia and Africa appreciate off- and on-line networks higher than the rest of the world.

The value of the partnerships does not differentiate regions sharply.

The most important for the Latin America combination of professionalism with on-line activities is unimportant for Asia and Africa.

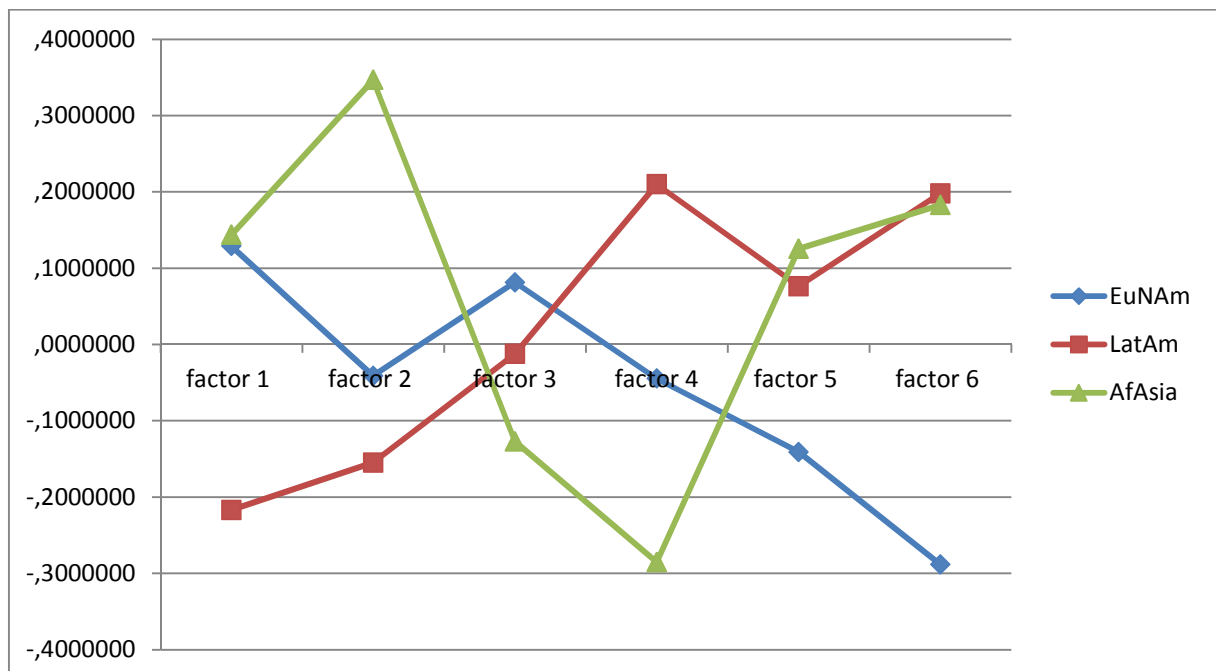


Fig. 2. Relative factors impact on the SE successful operation in the macro-regional perspective.

Reliance on free help of the family members, friends, colleagues, neighbours of the team members is the least important for “lonely crowds” with the most developed institutions in Europe and North America, being much higher appreciated in the countries of the third world.

6. The SEs income and accountability

The respondents were asked to evaluate the main articles ratio of the SEs revenue. As a result, it became possible to imagine clearing SEs’ revenue structure in macro regional perspective (table 12).

Table 12

Average SEs’ revenue structure: macro regional comparisons, %

Macro-regions	Sales of goods / services	Grants by non-governmental funds	Government subsidies and grants	Contributions by citizens	Contributions by commercial organizations	Memberships fees, contributions by founders / owners	Other sources	Total
AfrAsia	36	30	5	10	7	7	4	100
LatAm	41	7	13	13	5	10	11	100
EuNA	34	27	14	9	11	3	3	100
Total	37	21	11	11	8	7	6	100

Selling of goods and services gives 37 % of average revenue; presumably, this index distinguishes the SEs from the other agents working in the social economy sector; the usual for the social sector “Grants by non-governmental funds” give almost twice less. Both these articles give 58 % of average revenue. Government subsidies and grants do not exceed the contributions by citizens and commercial entities.

So, on the average the social entrepreneurship as a sector shows independence and economic stability, having the revenue sources diversified, getting almost 40 % of revenue from commercial activities and just about 10 % from the governments. Detailed analysis reveals less rosy picture (table 13).

Table 13

SEs zero-revenue articles: macro regional comparisons, %

Macro-regions	Sales of goods / services	Grants by non-governmental funds	Government subsidies and grants	Contributions by citizens	Contributions by commercial organizations	Memberships fees, contributions by founders / owners
AfrAsia	44	44	69	69	61	86
LatAm	48	85	75	73	85	83
EuNA	55	58	78	68	78	68
Total	49	65	74	70	76	79

Half of the SEs has no revenue from commercial activities; every 2 from 3 have no support from non-governmental funds; every 3 from 4 enjoy zero support from government subsidies. In other words social enterprises differ strongly in their operational conditions.

In section 2 we pointed to the differences between conventional definition of a SE in the academic discourse, implying sale of goods and services as one of mandatory prerequisites of SEs’ economic sustainability and social entrepreneurship criteria of the Ashoka organization, which consider economic activity in line with the specified terms as non-mandatory. Moreover, affiliation of respondents to Ashoka fellows means that Ashoka provides a grant to nominated social entrepreneurs, so that they

could devote themselves to the occupation they have chosen, not being distracted by earning their living. In this situation it seems surprising that most respondents taking into account so favourable personal conditions establish enterprises which are able to earn and to have different sources of revenue for their economic sustainability. Moreover, as we remember, above 90 % of respondents disagree that the social enterprises should be financed out of charity funds or state; besides, approximately 73% consider that social enterprises should know how to generate income themselves. Table 14 stratifies amount of the SEs' sources of revenue — from 0 to 6.

Table 14

Enterprises having from 0 to 6 sources of revenue, %

Number of sources	Macro regions			Total
	AfrAsia	LatAm	EuNA	
0	43	42	27	38
1	13	13	8	11
2	10	13	16	13
3	0	16	19	11
4	15	13	16	15
5	15	2	11	9
6	5	0	3	2
Total	100	100	100	100

Generally, 38% of SE get no revenue from their activity, and, consequently may not be considered enterprises as economic units. The ratio of organizations with no revenue received is especially high in Latin America and in Afro-Asian region, where the commercial charity is less spread in these regions and non-governmental not-for-profit funds are less rich than in the Western countries. Nevertheless, possibly, the number of enterprises received no revenue overstated.

Firstly, for many (and we come across such phenomenon in Russia) a concept of **revenue** is associated with for-profit activities, which are often considered inconvenient for not-for-profit organizations. No commerce — no profit. Such a treatment of profit may be supported by the national legislation, the contents of which we cannot examine within the framework of our research. Secondly, in this sphere, as otherwise in NPO activity volunteers' labour and services of organization are widely used, especially in the developing markets and industries where barter deals are often applied (Shanin, 1990). In developed economies and in the for-profit/ commercial companies it has been accepted to recalculate the charity services in monetary equivalent, including for public and internal reporting.

Let's proceed to the ways to evaluate the SEs performance used by the social entrepreneurs. The question was formulated as follow: **How do you assess the results of your organization's performance?**

The selection of certain criteria by the heads of organizations is a result of interaction of different factors: the missions of organizations and peculiarities of services, the structure of stakeholders, the character of the relationship with donors and target groups, status in the local community and maturity of the local community itself, civil maturity of innovators as such, the character of the SE management, which can be more or less democratic, etc.

The respondents were proposed to mark not more than 3 out of the 10 offered criteria. The least appealing criteria concern the "costly principle" of gross costs and volume of services (10 %), an

opportunistic viewpoint of uselessness of any special appraisals (14 %), and exceptionally external evaluation by the donor(s) (16 %) (see Table 15).

To classify approaches to evaluating the SEs activity we have selected a 4-clusters model, obtained by K means method¹⁰. In the clusters' columns "1" means agreement with the corresponding item, and "0" means disagreement; both of them do not mean unanimous opinion within the cluster but a tendency to dis/agree with the corresponding item.

The first group (cluster) representatives are inclined to suppose that the evaluation may be made after consultations with representatives of the local communities and organizations, familiar with an ES activities; to put it differently, evaluation may be given by the experts, who have immediate experience of interaction with the SE. Nobody but such experts can analytically delimit economic and social component of the activities results.

Table 15

Criteria to evaluate SE: 4 clusters model (with K means)

Ultimate centres of clusters	Clusters				Agreed with criteria, %
	1	2	3	4	
Evaluation is based on consultations with representatives of the local community and various stakeholders	1	0	0	0	27
Evaluation is made separately for economic and social result	1	0	0	0	30
Evaluation is based on the results achieved by clients	0	0	1	0	40
Evaluation is based on the number of recipients of goods	0	0	0	1	30
Evaluation is based on the number of services provided	0	0	0	1	21
Evaluation is based on written survey of clients	0	0	0	1	21
Evaluation is based on verbal feedback from clients	0	0	0	0	23
Evaluation is mainly made by the donor or the organization	0	0	0	0	16
<i>Results are evident and do not require special appraisal</i>	0	0	0	0	14
<i>Comparison of costs and the volume of services</i>	0	0	0	0	10
Filling of classes, persons	30	43	27	24	
Filling of classes, %	24	35	22	19	

Note: Inter-cluster deviations (F-statistics) by all variables, except the last two printed in italics, are relevant at the level of below 0.007. All the zeros in a line (in all the clusters) mean that the variable doesn't make any distinctions between the clusters.

The representatives of **the second group** are inclined to consider it generally difficult to evaluate a SE, at least according to enumerated criteria. Such viewpoint expresses not as much a denial of necessity to

¹⁰ The models were checked by number of clusters from 2 to 6. The choice was made proceeding from the following criteria: significance of deviation between clusters by indicators, selected by no less than 20% of respondents; sustainability of cluster solutions in case of consecutive exclusion of one variable from the list; more or less even distribution of respondents by the clusters.

evaluate a social enterprise's activity (as it was made by 14 % of respondents who pointed that the results were evident and didn't require special appraisal), as the doubts in applicability of proposed criteria. If, sharing concerns about the difficulties of accurate measuring the performance of the socio-economic hybrids, which SE are, we still consider the evaluation criteria proposed in the list to be reasonable and applicable in practice, the position of the second group can be interpreted as an invitation to improve procedures for evaluation of SEs' performance.

The representatives of **the fourth group** are inclined to make evaluation on the basis of **quantitative, gross** indicators: number of served clients, volume of services rendered and the results of written survey of clients. It's obvious that such means of evaluation are oriented to pre-accepted standard indicators, shared by both the social enterprises and their clients.

Finally **the third group**, which is conventionally characterized against the background of the fourth, is inclined to give evaluation on the basis of **qualitative** indicators – the clients' achievements. The focus on specifics of the clients' needs expressed here implies that various clients have different base, in relation to which an enterprise's performance should be measured. This approach rejects not only economic, but also bureaucratic approaches, based on standardization of measurements methods.

No statistically relevant differences in cluster distribution depending on affiliation to a certain macro-region and on the scale of activity were revealed.

A few words we say about accountability. All the SEs split almost evenly into 3 categories: those who regularly report, irregular reporters, and non-reporters at all. Curiously enough, all the 3 groups of SEs are evenly distributed among the macro-regions¹¹, the probability to find them among both international and local organization is almost the same.

Table 16

Relation between reporting regime and belonging to clusters, %

	Delivery of the reports on the activity		
	Regular	Irregular	Unavailable
Cluster 1: expert evaluation	29,8%	40,5%*	2,5%**
Cluster 2: it's difficult to evaluate	10,6%**	18,9%	77,5%*
Cluster 3: qualitative evaluation	34,0%*	18,9%	10,0%
Cluster 4: quantitative evaluation	25,5%	21,6%	10,0%
Total by the column, %	100,0%	100,0%	100,0%
Total in sample, %	37,9	29,8	32,3

* statistically significant excess of the average is indicated in bold.

** statistically significant values below average are noted in *italics*.

If we agree that regularity of reporting determines the preference of reporting criteria, the interpretation of Table 16 data leads to the following conclusions:

¹¹ However, good chances to find a non-reporting social entrepreneur in Latin America may be spoken about as a tendency which may be manifested in a larger sample.

- (1) Regular reporting decreases probability of scepticism concerning an opportunity to evaluate SE performance and tends to increase chances to prefer using the **qualitative** client-oriented indicators.

It would be logical to assume that the respondents used to regular reporting represent a group of the most competent experts concerning social enterprise performance evaluation criteria.

- (2) Irregular reporting (lack of reporting routine) increases the chances to prefer the evaluations by the experts capable of distinguishing economic and social (computable and non-computable?) operating efficiency.
- (3) Nothing gives rise to as many doubts in opportunity to evaluate their own activity, as total unfamiliarity with self-appraisal practice.
- (4) Among those who note that their organizations regularly makes reports, quite few chose pragmatic formulations: the reports were published primarily to sustain credibility of significant others (55%) as well as to get feedback which was necessary to improve the performance. One can say that the most humanistic sounding variants were chosen.

Here one can make several notes. Primarily, trust of clients, and improvement of quality belongs to rhetoric of standard business organizations and NPO. Its insufficiency among the SEs points to less impact of the organizational isomorphism and inter alia indirectly – to independence of surveyed enterprises. Secondly, many social enterprises take economic niches not occupied by standard business and NPO, as well as public (state) enterprises, that is why these spheres are related with higher probability to expolary economy. Thirdly, in this report we didn't assign an objective to consider different models of the SEs, particularly it would be possible to consider models from the viewpoint of sectors' combination in the cross-sectorial interaction, peculiarities of clients and nature of services. It is logical to assume that a model would affect the character of reporting but we haven't analysed this connection. Fourthly, trust of the local community and partners can make a priceless contribution to competitive benefit on the market, may be advanced straightforwardly and rigidly by the donors "behind the closed doors" as an essential condition of support and may equally contribute to expansion of the customer base. In other words, all the proposed options of answer don't contradict one another and theoretically could be found in a developed description of any social entrepreneur (table 17).

Table 17

The main incentive of making the results publicly available

	%
need to sustain credibility of the local community / partner	54,8
need to get external feedback to improve performance	19,0
need to attract new clients	7,1
conditions of donor funds provision	6,0
market competition	1,2
Other	7,1
NA	4,8
Total	100,0

7. Final comments

This paper presents some preliminary findings, which are to be refined. Our basic hypotheses that a significant fraction of the SEs are dependent on the public powers or/and the other major stakeholders are not confirmed.

Two interpretations, not mutually exclusive, of this failure are proposed. First, SE are specific in adherence to social goals and responsibility, in business and managerial talents of their leaders, in their hybridity; second, our survey sample covers the prominent leaders who created exclusive in some aspects social enterprises as compared with “regular” ones.

The second interpretation refers to the countries where too energetic and purposeful support of the SE by the state/public sector involves to this movement unprepared, untrained and unequipped adherents.

Nevertheless the global experience of the leaders of the social entrepreneurship demonstrates that such standard features of the contemporary economics as organizational isomorphism and habitual for the market economy patterns of accountability (for example, reduction of qualitative outputs and resources to the value terms) are not indispensable for **all** the contemporary organizations. Partly it can be explained by the fact that the SEs are often established at the interface of the different economic structures.

At the same time globalization processes in the context of the global economic crisis and its aftermath can change our habitual representations about the vectors of economic structures influences to each other.

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