

ADDRESSING POVERTY THROUGH
SOCIAL ENTERPRISE

by

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SOCIAL ENTERPRISE

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INTRODUCTION

Poverty is one of the world's most pervasive problems. In the Christian Gospel, Christ states that "the poor will always be among us" and indeed they have been. Even in the United States, the world's wealthiest nation, poverty rates have fluctuated the past forty years from a low of 11.1 percent to a high of 15.1 percent (National Poverty Center). Consistent poverty rates within this range suggest that something new must be done to significantly reduce the number of Americans who live in poverty, but what is the solution?

One solution could be the social enterprise. In the 1970s, non-profits turned to alternative funding schemes in the wake of government cutbacks and for-profit businesses like Patagonia came into being. Social good and economic return began to occur jointly and, perhaps by accident, the social enterprise movement was born. In recent years social enterprise and micro lending have become more prominent, due in part to their success and also because of the charismatic individuals who often lead these initiatives. But what role does social enterprise play, if any, in reducing the persistent, overtly stubborn problem of poverty?

This paper will attempt to provide an answer to that question. First, through a literature review, the author will introduce relevant concepts of social responsibility and social enterprise, particularly issues of structure and funding that matter very much to non-profit social enterprises. Then, the specifics of the research question will be addressed, while explaining its relevance to social entrepreneurs and society in general. The methods and results section will explain in detail the methodology utilized for this chiefly qualitative analysis, and review major findings and propositions derived from that

analysis. The results section will explain two theoretical models developed, which explain the role of social enterprise in reducing poverty and the roles of stakeholders in supporting the non-profit social enterprise.

The discussion section will further explicate the main conclusions of the research and explain how interview responses contributed to new concepts or differed from expectations. Limitations of the study will be revealed and suggestions made for future studies. The implications section will explain the importance of the results to practitioners. In this study, results are particularly relevant to social entrepreneurs, but also apply to non-profit leaders, government officials, business people, and the general public. This section will explore the significance of the two models both as strategic tools and as simplifying communications devices.

Overall, the study addresses the issues of poverty and social enterprise separately, and then looks for crossover areas between the two topics. By looking at poverty and social enterprise separately, the study seeks to find authentic areas of intersection, rather than unnecessarily superimposing one concept onto another and in so doing producing false linkages.

Given the interview sample and resulting theoretical models, this study focuses on social enterprise from a non-profit rather than a for-profit perspective. This point of view is taken in part because non-profit organizations outnumber for-profit social enterprises. Although the study provides insights that may be applicable to non-profits that do not utilize the social enterprise model, and also to social enterprises that fall within the for-profit sector, the primary goal is to assess how social enterprises may play a role in poverty-reduction within the non-profit realm.

REVIEW OF LITERATURE

Social enterprise is a fairly disputed area of academic research. The definition of social enterprise, and the origins of the social enterprise movement are at best vague and elusive. Not surprisingly, the ambiguity of social enterprise is explained partly by its blurring of the roles of non-profits and for-profits. In light of definitional confusion, much work has been completed during the past decade to clarify an otherwise ambiguous concept.

Social enterprise may fit within the larger vein of the social responsibility movement, but it is not to be confused with corporate social responsibility, which “compromises a number of corporate activities that focus on the welfare of stakeholder groups other than investors” (“The benefits and costs of corporate social responsibility” Sprinkle, p.446). Corporate social responsibility “can become a source of tremendous social progress, as the business applies its considerable resources, expertise, and insights to activities that benefit society” (Porter & Kramer). Furthermore, Porter and Kramer argue for ‘shared value’ creation that “focuses on identifying and expanding the connections between societal and economic progress” (Porter & Kramer, 2011). However, these strategies differ with the deeper social purpose that characterizes the field of social entrepreneurship.

Some academicians view social entrepreneurship as the process of building or transforming institutions to “advance solutions to social problems” (Bornstein & Davis). Others define social enterprises as “businesses whose purpose is to change the world for the common good” (Lynch & Walls). The work of Janssen Bacq adds clarity to the definition of social entrepreneurship by disentangling the components of the word and

recognizing differences in social enterprise development in Europe and North America. Bacq notes that social entrepreneurship differs from conventional commercial entrepreneurship in two meaningful ways: social entrepreneurship operates with an explicit social mission, rather than a pure profit mission, and economic profit from social ventures are reinvested in the social mission rather than distributed to shareholders or reinvested in commercial activities (Bacq). Despite different schools of thought in America and Europe based in part on the respective roles of government and social enterprises in addressing societal ills, Bacq still creates a cross-continental definition, stating, “Social entrepreneurship is 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). This definition applies both to for-profit and non-profit organization because revenue generation is central to social enterprise.

The complexity of the social enterprise definition is due in part to its multi-dimensional nature, and its intersection of a number of characteristics (Mort, Weerawardena and Carnegie). Yet, almost all broadly accepted definitions of social entrepreneurship place primary relevance on the innate social aspects of the initiative. That is to say, a social purpose or purposes drive the work of the social enterprise or social entrepreneur, who aims to increase social value by contributing “to the welfare or well being in a given human community” (Peredo & McLean). In general, “social enterprises are seen as socially driven organizations with social and/or environmental objectives combined with a strategy for economic sustainability” (Ridley-Duff).

Not surprisingly, “social enterprise represents a distinctly different approach to social welfare enhancement. By combining the motivating aspects of capitalism with our increasing need for social and environmental improvements, it has the potential to make a tremendously positive impact” (Masseti). Indeed, “it has become increasingly popular to search for market-based solutions to social problems” (Dees). Raymond Dart explains social enterprise from an institutional perspective, commenting, “given our contemporary social fascination with market-based solutions and mechanisms, social enterprise is likely to both retain and expand its moral legitimacy” (Dart). Some argue that the financial possibilities of social enterprise remain untapped and that “social enterprises potentially have a larger universe of investors than conventional firms do” (Bugg-Levine).

Social enterprises may take on a variety of structures. Some scholars view social enterprise as a continuum between purely non-profit and for-profit, while Elkington categorizes social ventures in three categories: the leveraged non-profit, hybrid nonprofit, or social business. According to Elkington, most social ventures fall in the hybrid nonprofit category, which recovers “a portion of its costs through the sale of goods and services” (Elkington). Social entrepreneurs continue to blur the lines of traditional business by developing new models that help achieve social purposes. For example, the contract hybrid approach “has been specifically designed to overcome the obstacles that current law imposes in partnerships and collaborations between nonprofits and for-profits” (Bromberger). This model ties together the non-profit and for-profit organization – a novel concept for two sectors with such historically divergent paths. Swanson and Zhang theorize a social entrepreneurship zone based upon the level of business practices

applied to support social change and the degree to which a planned approach for implementing social change is used (Swanson).

For non-profits, “Earned income is precious because it comes with no strings attached. It can be used for whatever purpose the non-profit’s leaders deem most important” (Foster). Earned revenue streams create independence that may not exist with normal donations and most certainly not with government or foundation grants. Moreover, non-profits may demonstrate the success of social enterprises to donors as an incentive for further investment in the organization (Smith). However, according to Foster, “there is every reason to believe that the lion’s share of earned-income ventures succeed at generating revenues beyond their costs” (Foster). In other words, few non-profit social enterprises break even, so their benefits are largely programmatic rather than economic. Dees claims “nonprofits should keep in mind that commercial programs don’t need to be profitable to be worthwhile” because they may still benefit clients (Dees, 1998). New revenue streams in the form of social enterprise are still very relevant to non-profit work, particularly for smaller organizations. On the other hand, large non-profits tend not to support earned-income strategies “distinct and separate from their core mission-related activities,” nor do they operate on a strictly fee-for-service model without supplemental fundraising or government support. Apparently “these types of approaches do not lend themselves to large-scale, sustained non-profit advantage over for-profit entities” (Foster).

Like all organizations, non-profits work in a multi-stakeholder environment and, according to Kramer, large-scale social change requires cross-sector collaboration rather than isolated intervention. His idea of collective impact requires communities to develop

a common agenda, engage in mutually reinforcing activities, use a shared measurement system, and communicate continuously through the support of a backbone support organization (Kramer, 2010). Non-profits may be most capable of addressing social issues through cooperating with other sectors in their communities.

Thus, the topic of social enterprise, with all its complexities and caveats, invites an enticing challenge, particularly for the non-profit organization. From definitional ambiguity, to structural development, to revenue generation strategy and paradigm-shifting thinking, the non-profit social enterprise is a unique creature that balances social mission and financial sustainability in the rapidly developing field of social entrepreneurship.

RESEARCH QUESTION

This thesis asks the following central question: how do non-profit leaders perceive social enterprise playing a role in reducing poverty? In 2013 the U.S. Federal Government set poverty thresholds at \$11,490 yearly income for one person, \$15,510 for two people, and \$23,550 for a four-person household. Instead of providing a baseline, such as the federal thresholds, from which to measure leaders' perceptions of the role of social enterprise in reducing poverty, one goal of this research is to evaluate common conceptions of poverty – how non-profit leaders define it – which may in turn impact conceptions of social enterprise.

In this research, social enterprise refers to any revenue-generating mechanism of socially-minded organizations. Many such organizations, particularly non-profits, rely almost exclusively on donor or government support, but a social enterprise earns revenue much like a business through selling a product or service. The “social enterprise” label

may apply to an organization as a whole, or it may also apply to various enterprises within one organization. For example, a single non-profit such as Catholic Charities in Fort Worth may have several “social enterprises” that all generate revenue for the parent organization. This research will test the abovementioned working definition of social enterprise by evaluating how non-profit leaders define social enterprise in their own language. Admittedly, the field of social entrepreneurship lacks a universally agreed upon definition for the term “social enterprise,” although many definitions share similar components.

The research question is very relevant to practitioners and academics in the burgeoning field of social entrepreneurship and also to policy makers, donors, and non-profit leaders. The question is also relevant to people who do not self-identify as social entrepreneurs or social innovators but still have an interest in the public good, and in poverty reduction in general. Although research has been conducted on poverty rates, the economics of poverty, and the sociological constructs of poverty, little work has been done to determine how social enterprises may be used to reduce poverty. The benefit of answering this question lies with the goal of social entrepreneurship: the creation of sustainable efforts to address social problems. Poverty is one of the world’s oldest problems that, depending on one’s perspective, may be caused by individual, economic, political, and social factors. Based on the assumption that poverty-reduction requires resources – money in particular – the “best” poverty-focused efforts will be effective, sustainable, and scalable. Thus, poverty reduction efforts suited for social enterprises will presumably be more effective, and certainly more stable, with earned-income.

This research will first screen all non-profits in the 2012 Nonprofit Times “Top 100 List” and record if these organizations have programs in the following areas: development, disaster relief, education, employment and job training, financial assistance, food and hunger, housing, health and healthcare, micro-lending, recreation, and shelter. These categories are common to non-profit organizations and, by a cursory glance, could be instrumental in addressing poverty. Then, mission and vision statements, as well as the organization’s programs, will be scanned for poverty-reducing efforts. For example, some organizations self-identify as “poverty-reducing organizations” by explicitly mentioning poverty in their mission statements, while others include in their website pages content on how their programs serve impoverished people. Organizations that fall into these two categories, or organizations whose programs mirror those that fall into these categories, are considered “poverty-reducing organizations” for sake of this research. Finally, the programs of poverty-reducing organizations will be compared to one another for insight into how these organizations currently address the issue of poverty.

Second, a number of interviews will be conducted with non-profit leaders in Tarrant County through semi-structured interviews asked by the researcher with questions relating to poverty, social enterprise, and other relevant topics. Most of these leaders manage local chapters of “poverty-reducing organizations” identified in earlier research. These interviews, in combination with extant literature, will be used to qualitatively evaluate how non-profit leaders perceive social enterprise playing a role in reducing poverty.

The research process will unveil several important answers. First, it will reveal how many large, nationally recognized non-profits seek explicitly or implicitly to reduce poverty. Second, it will show the most popular means used to address the issue of poverty (i.e. social programs, emergency economic assistance, housing, etc.) and reveal common non-profit leaders' perceptions of poverty. Third, it will reveal the attitudes of some non-profit leaders towards social enterprise and their working knowledge of the subject. Fourth, it will provide a theoretical basis on how social enterprise can be used to reduce poverty through the development of conceptual models and specific propositions.

Social enterprises are created to achieve social purposes, so theoretically they can be used to address the problem of poverty. Yet, how does a social enterprise fit into the poverty-reducing equation? Are social enterprises capable of making a dent in one of the world's oldest problems? This research seeks to answer how exactly social enterprises may be used to decrease poverty. The findings may open doors for more market-based solutions or, at a minimum, provide a framework for creating well-funded, stable, poverty-reducing social enterprises.

METHODS AND RESULTS

The core of this inductive research is based on information gathered from semi-structured interviews and is therefore qualitative in nature. Qualitative research helps generate new ideas by removing the limitations of research bound strictly in pre-existing paradigms. In order to create measurable constructs, one should first explore more general concepts (Gioia et. al). Thus, this research contributes to conceptual thinking primarily through parsimonious models.

The evaluation of the 2012 Nonprofit Times “Top 100 List,” however, includes some quantitative information. In this endeavor, the list members were researched online, primarily through their respective websites, for information about their mission and programs. This research revealed the following programmatic categories: development, disaster relief, education, employment and job training, financial assistance, food and hunger, housing, health and healthcare, micro-lending, recreation, shelter and others. These categories were not mutually exclusive so many non-profits provided services in multiple categories. Mission and vision statements, as well as the organization’s programs, were scanned for poverty-reducing efforts. For example, some organizations such as MercyCorps self-identified as “poverty-reducing organizations” by explicitly mentioning poverty in their mission statements, while others such as United Way included website content on how their programs serve impoverished people. Organizations that fell into these two categories, or organizations whose programs mirror those that fell into these categories, were considered “poverty-reducing organizations” for sake of this research. Finally, the programmatic categories of poverty-reducing organizations were compared to one another for insight into how top non-profits addressed poverty.

The methods approach assumes that interviewees are “knowledgeable agents” and the role of the interviewer is to “give voice to the informants” (Gioia et al.). Thus, most interview questions are meant to gain information rather than prove a particular theoretical model. Furthermore, the interviews are semi-structured, so while base answers are sought from all respondents, individualized follow-up questions are permissible for each interview. In addition, some interview questions change during the research process

because of developments that occur during the interviews (Gioia et al.) As the research progresses, differences and similarities are sought among respondent answers and then classified according to concepts, themes, and aggregate dimensions. These categories are then used in combination with extant literature to develop theory (Gioia et al.).

The interviewees for this qualitative study were chosen as both a representative sample of organizations that have operations relating directly to the research question and as a convenience sample. Participating organizations include YWCA, Catholic Charities, Lighthouse for the Blind, Habitat for Humanity and the UNT Health Science Center School of Public Health. Two of these organizations, Catholic Charities and Habitat for Humanity, are listed in the top ten of the Nonprofit Times “Top 100 List” and were both classified in previous analysis as “poverty-reducing organizations.” The YWCA, Catholic Charities, Lighthouse for the Blind, and Habitat for Humanity all run social enterprises. Thus, the sample of organizations in this research is ideal for studying both the issues of poverty and the use of social enterprise as a potential tool for poverty reduction. The interviewee from the UNT Health Science Center is considered a leading poverty expert in Tarrant County given her research and assessment of non-profit and city programs. This individual’s responses provided a unique systematic lens for understanding the deep issues of poverty and the solutions necessary to combat them.

Organizational Information of Participating Interviewees

Organization Name	Purpose	Social Enterprises
YWCA	“Gives hope by increasing opportunity and self-sufficiency for women and their families facing poverty, homelessness or racial disparities.”	Ballroom rental Resale shop Lunch Service
Catholic Charities	“The mission of Catholic Charities agencies is to provide service to people in need, to advocate for justice in social structures, and to call the entire church and other people of good will to do the same.” Tagline: “Working to reduce poverty in America.”	WORN (clothing retail) TIN (translation services) Urban Manor (apartment rental)
Lighthouse for the Blind	“Meaningful employment for the visually impaired.”	Product manufacturing
Habitat for Humanity	“Seeking to put God’s love into action, Habitat for Humanity brings people together to build homes, communities and hope.”	Resale Shop Mortgage program
UNT Health Science Center	“To improve the health and quality of life for the people of Texas and beyond as a leader in primary care through excellence in education, research, clinical care and community engagement.”	N/A. UNTHSC does not operate social enterprises. This interviewee was selected for her knowledge of poverty rather than her direct experience with social enterprise.

Interview questions were grouped according to three segments: personal, poverty-related, and social enterprise. Questions were typically asked according to this order of groupings, although follow-up questions were asked according to the natural flow of the conversation. Personal questions helped evaluate the type of work that non-for-profit

leaders were engaged in, which in turn made comparisons between respondents' answers easier. Of the four non-profit leaders interviewed, three held the top positions in their organizations, and another held a senior role. All respondents engaged in similar daily activities like attending meetings, managing correspondence inside and outside of their organizations, and supporting the work of their boards. See Appendix 1 for the list of questions derived to guide the interviews.

All interviews were recorded and later transcribed. All transcriptions were read and analyzed for reoccurring and unique themes. Respondent answers were extracted and listed side-by-side in Excel for purpose of analysis. This methodology helped with comparing and contrasting respondent answers and demonstrated the level of agreement or disagreement with particular concepts. Overall, the abovementioned methodologies – both the analysis of the Top 100 List and of transcribed interviews – were meant to develop integrative models that help clarify the effects of stakeholders on the success of the non-profit social enterprise model.

Top 100 Non-profit Results

Analysis of The Times Top 100 Non-profits list shows that approximately 23 large non-profits are poverty-reducing organizations, by virtue of their mission statements and programs. Of these organizations, seventy-five percent offer education programs and seventy-five percent offer health or healthcare programs; however, only twenty-two percent, or five organizations, offer housing. Of all 100 top non-profits, seven percent address housing, forty percent address education, and almost fifty percent address health/healthcare.

Poverty Parameters

Non-profit leaders tended to define poverty similarly as the absence of something, such as wealth, income, or “the necessities of life.” Three interviewees referred to the federal poverty guidelines when defining poverty, and two of the three noted that people who live above the federal threshold often deal with the issues of poverty. One respondent explained poverty as a life-defining challenge that encourages a unique culture of bartering for asset acquisition and short-term decision-making. Interviewees agreed less, however, on the underlying causes of poverty.

All five respondents mentioned systemic reasons for poverty, such as poor education, the lack of job opportunities, entitlement programs and Social Darwinism; two of these respondents cited privilege or institutionalized racism as perpetrators of poverty. Two other respondents cited, in addition to systematic reasons, individual contributors to poverty like mental health, personal motivation, and lack of common sense. Interestingly, one of the respondents mentioned her frustration when others “think that people are living in poverty because they’ve done something wrong.” Her assertion challenges those respondents who blamed poverty in part on the individual. While the answers do not portray clearly the causes of poverty, they do make one good point: poverty is complicated and multi-dimensional. Furthermore, personal filters like family upbringing, political persuasion, and religion all shape perceptions of poverty.

Poverty Solution

Housing and education were most commonly cited as solution areas for poverty. Four of five respondents mentioned housing as an important stabilizing factor for the poor. One respondent even said that, “to address poverty we really have to figure out

what to do to address housing.” Housing was seen as a basic, fundamental need that allowed individuals and families a place from which to develop other areas of their lives, such as education or employable skills. One respondent mentioned how housing provides both psychological and physical security. Vulnerability is a pervasive feeling for poor individuals, particularly those who are homeless, but secure housing allows these individuals to think less about their physical safety or the safety of their possessions. Clearly, housing is an important antecedent to personal development. The UNT researcher commented “there’s no point in focusing on education if someone’s not housed” but once that need is met, education has “the biggest influence on people’s ability to have an income climb.” All respondents agreed that education was a pivotal factor in solving the issue of poverty, but only two mentioned that people should have access to quality education. In other words, while everyone saw education as important, only some immediately noted that quality education is not readily available to everyone.

All respondents mentioned, either directly or indirectly, the importance of increasing personal wealth, mostly through employment. One respondent saw the creation of sustainable jobs within the marketplace as the most important solution to poverty. Another thought businesses should make “brave decisions” to implement new profit-sharing strategies and provide a living wage. Two respondents saw job training and education as important to opening up employment opportunities. The Habitat executive saw home ownership as a transformational experience that stabilizes the equation for the really low income. In his view, only home ownership could generate enough wealth for families to move out of poverty. This claim presumes that overall family income remains relatively flat and that Habitat homes accrue equity over time. While the means of

achieving wealth were very different, all respondents saw income generation as important to solving poverty, in combination with housing and education.

When asked whether or not non-profits were wise to concentrate on health and education as means of reducing poverty, all interviewees agreed that health and education were both important. However, one respondent mentioned that health and education were not “anti-poverty measures.” This response challenges whether the largest poverty-reducing non-profits are wise to concentrate their efforts and resources on health and education, as opposed to other areas.

Social Enterprise Parameters

When asked to define social enterprise, two respondents cited the importance of achieving a social or greater “good” through the enterprise, and another mentioned the importance of generating revenue and serving clients through some kind of non-profit “business venture.” One respondent saw social enterprises as job creators and another had no working definition, although he understood the relevance of generating predictable income through the social enterprise model.

Responses to “What do you consider a social enterprise?”
“One who’s primary mission is a social good.”
“Businesses that’s sole purpose is to contribute to the greater good of the community”
“Job opportunities”
“When a non-profit starts some kind of business venture to hopefully provide opportunities for their clients as well as increase revenue or provide a diversity of revenue sources”

The Social Enterprise Alliance says that a social enterprise “directly addresses an intractable social need and serves the common good, either through its products and services or through the number of disadvantaged people it employs” (Social Enterprise Alliance). When asked whether they thought a social enterprise focused on employment or product/service was better at reducing poverty, respondents generally showed no preference and instead cared more about the effectiveness of the social enterprise’s efforts. Although the interviewees mostly used employment-centric models in their own organizations, they thought a social enterprise whose products or services generate awareness or funding for a social cause was also very valuable.

Interviewees held different opinions of what degree social enterprises should be related to the mission of their non-profit parent. One respondent said that relatedness was not very important and another viewed relatedness as mostly a marketing question, rather than a strategic one, stating that “Would you not do something that’s generating a nice profit because it’s not related enough? That would seem like a foolish business decision. If it is closely related, does it help more? Yeah, probably [be]cause it cleans up your messaging.” One respondent mentioned the facility rental program at the YWCA, a model replicated at other non-profits that rent their property for banquets and venues. These assets are referred to here as *inherited resources*, typically a building or structure owned by the non-profit, that generate revenue but do not relate to the mission of the organization. The other three respondents saw the relatedness of social enterprise to organizational mission as particularly crucial. One respondent said, “If you’re not focused on what your mission is, you’re focused on failure.” Another respondent shared, “When you come up with a business that ties to your mission then you can serve your

clients. You know you're providing a social benefit right off the bat with a service to the clients.”

Respondents who believed in the importance of mission-relatedness were able to articulate how their social enterprises fit with their respective organizational missions. For example, the YWCA interviewee explained how the organization's lunch service enterprise supported the empowerment of women through job training, financial management, and the development of transferable skills. The Catholic Charities executive explained how each of its social enterprises helped a group of individuals with the potential to fall into poverty. Catholic Charities' WORN program teaches female refugees job skills while they earn a living, overcome employment barriers, and take care of their children, in alignment with the organization's mission of self-sufficiency.

Social Enterprise and Poverty Reduction

Respondent answers pointed to many ways that social enterprise can make an impact on poverty, but tended to focus on employment and wealth creation. One respondent said social enterprises are not necessarily “adept at a certain aspect of reducing poverty in as much as social enterprise helps us ask better questions.” This unique response illustrated social enterprise less as a function and more as a way of thinking. The respondent went on to say that in the non-profit world, it's easy to get stuck “in the same ruts” in a never-ending cycle of chasing after the next dollar; however, social enterprise is “creative” and “innovative” and “makes us come up with different solutions” that both serve clients and generate predictable revenues.

How can social enterprise help reduce poverty?
Encourages innovation and creativity
Provides opportunities for employment
Generates awareness of social issues
Helps individuals help themselves (microfinance)
Contributes to long-term wealth creation (housing ownership through Habitat)

The other views portray social enterprise as a mechanism for getting capital into the hands of the poor, primarily through their employment. Taken together, these responses provide a basis for addressing the primary question of this research: how do non-profit leaders perceive social enterprise playing a role in reducing poverty? Borrowing from the language of one interviewee, stabilizing services and propelling forces are needed to lift individuals from poverty. Stabilizing forces include housing, healthcare, and emergency financial assistance; one respondent called the latter a “necessary evil” and in and of itself not an anti-poverty measure. As mentioned earlier, respondents agreed that housing is crucial in order to progress from poverty. Thus, housing, healthcare, and other temporary assistance (food or emergency financial assistance) are critical to stabilizing an individual so she can develop further. In other words, stabilizing services help create a foundation on which individuals can grow and acquire the needed skills and assets to alter their economic condition.

Social enterprise can play a role in stabilizing services. For example, the Aravind Eye Care System in India addresses eye health and serves mostly poor clients on a “pay if you can” model, which still manages to cover the organization’s expenses. Catholic

Charities in Fort Worth recently launched an apartment rental program called Urban Manor, and an executive there predicts the model will be highly replicable. Habitat for Humanity's housing model has been very successful, but it is only available to individuals of a certain income level (those who fall between 30-60% of the area median income) and thus excludes the poorest of the poor. These examples illustrate ways social enterprises help with stabilizing forces such as housing and healthcare.

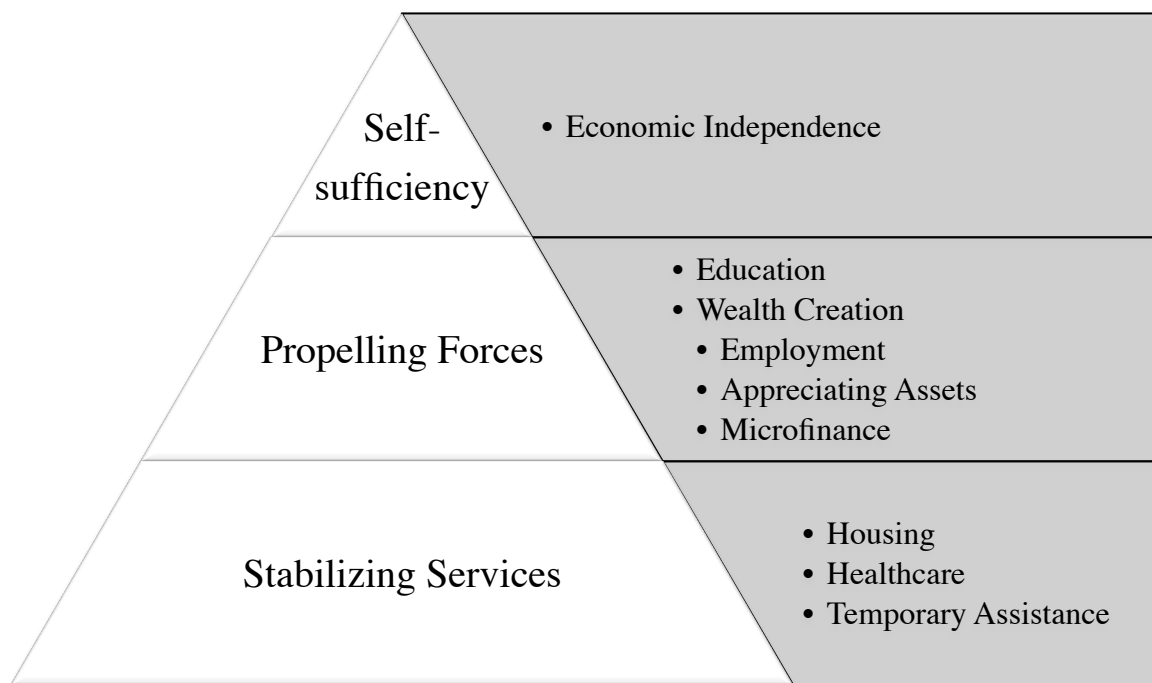
While social enterprise can become a natural part of stabilizing service models, it may be more adept as a propelling force that builds upon the work of stabilizing services. Propelling services move beyond "the basics" by empowering people to increase their human and financial capital. According to the poverty expert interviewed in this study, education is a tremendous indicator of future income. Personal wealth accrues from assets (like equity in a home) or from job income. Some social enterprises employ underemployed people groups, like the blind at the Lighthouse of Fort Worth, and thus require extra time and money for employee training. As the Lighthouse executive stated, "We also recognize that our workforce is not as efficient as a sighted workforce and we account for those inefficiencies in our costing and our pricing. We recognize that inefficiency and accept it as part of the cost of our doing business." With this in mind, education and employment may occur concurrently in a social enterprise, and for those enterprises that employ people with special needs, this will almost always hold true. Social enterprises are particularly well equipped to serve as a propelling force out of poverty due to their natural emphasis on education and wealth creation through employment.

Thus, the following proposition is set forth:

Proposition 1: Both stabilizing services and propelling forces are necessary to create self-sufficiency and move individuals out of poverty.

Self-sufficiency refers to economic independence and limited or no reliance on government and non-profit assistance programs. Employment is a necessary element of self-sufficiency. Based on conversations with interviewees, the following model demonstrates social enterprise as a propelling force for addressing poverty.

Social Enterprise as a Propelling Force*



*Modified form of responses from Tarrant County YWCA Director

The goal of stabilizing services and propelling forces is to empower individuals to become self-sufficient. Independence is a good boost for the economy, as the Social Enterprise Alliance estimates the net value of a single job between \$80,000 and \$100,000 a year (Social Enterprise Alliance). Independence also boosts the esteem of individuals

who can, through meaningful employment, provide for their needs and the needs of loved ones, and who can live without the fear and short-term perspective that often characterize those living in poverty.

Based on the interviewees' discussion of the above issues, and a recognition of revenue generating potential of these various opportunities for poverty reduction, the following proposition is set forth:

Proposition 2: Social enterprises best reduce poverty by providing propelling forces.

The importance of becoming employable through a social enterprise is that once an individual has pertinent work experience, she may have the opportunity to move to other sources of work. For example, while Lighthouse will allow blind employees to stay as long as they are adding value to the organization, Catholic Charities and the YWCA seemed to have a shorter-term view of employment. Rather than employing individuals indefinitely, these organizations seek to train employees who later move into other segments of the workforce. This strategy, if effective, adds another feather in the hat of social enterprise. By integrating employees into the mainstream workforce, social enterprises can continually serve and train new clients from their target populations, making a greater impact on the issues they hope to solve.

While highly beneficial, the Propelling Forces model does not concretely address the emotional drama endured by many in poverty. For example, individuals who suffer from psychological disorders or traumatic experiences endured on the streets may require additional help. In such cases, additional stabilizing services like counseling may be necessary.

Cross-Sector Collaboration

When asked about the appropriate responsibilities of government, business, and non-profit sectors in addressing poverty, respondents saw non-profits as an essential delivery vehicle of services to those in need and as “the doers” of reducing poverty. This perspective may be skewed, because all interviewees were members of the non-profit sector. All interviewees acknowledged that government by itself could not solve poverty. While some respondents viewed the government as playing a critical role in poverty reduction, others saw it as a contributor to poverty by providing assistance programs with incentive structures that do not adequately promote behavioral changes. Of course, these responses undoubtedly indicate the personal and political preference of the individuals interviewed; nonetheless, given the role these leaders play in the non-profit community, their views should be taken seriously.

For example, one respondent said that “government is best at providing the substantial dollars for stabilizing services” and non-profits should be providers of those services. Additionally, non-profits can be performance-based and accountable in a way government cannot, because they compete for donors and grants based partly on their past effectiveness. Government, however, allocates its spending from mandatory taxes. One interviewee thought government should fund non-profit initiatives indirectly through charitable giving tax breaks rather than through direct funding, stating that “government is fundamentally incapable of creating the rules for the use of their money – that makes the use of their money inefficient.” This leader’s organization at one point walked away from over \$1,000,000 in government money, because after two years of negotiations, the government’s restrictions were too costly and “unworkable.” Another respondent also

mentioned the limitations of government grants, but still viewed the government as an important funding source for non-profits, stating that the government should “provide dollars to support non-profits, but I sort of think the government should step out of providing the services themselves.”

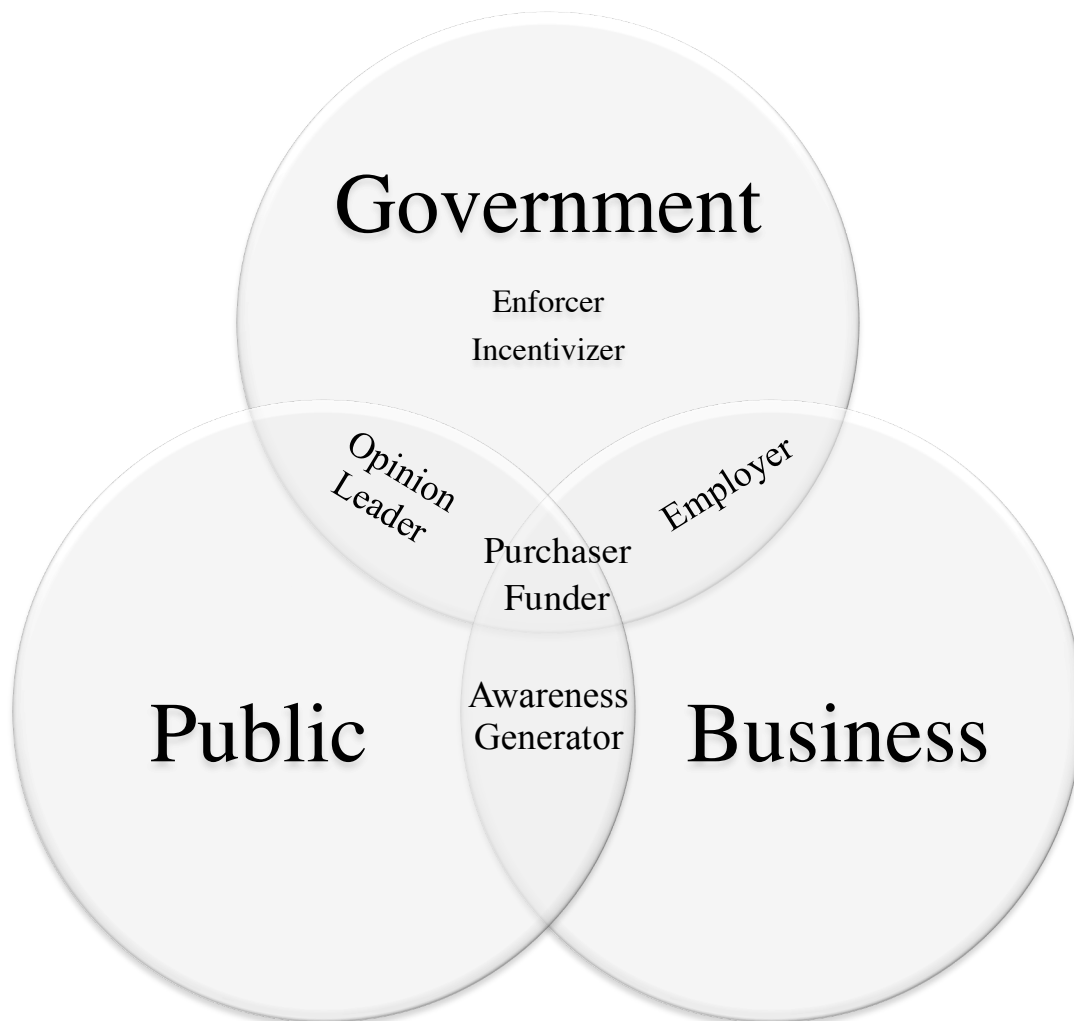
Another respondent viewed the government as having a relatively active role in providing access to healthcare, education, and housing while increasing the minimum wage and nudging business to behave responsibly. Even though all interviewees did not agree on what exact services the government should provide or fund (directly or indirectly), they did see the government as a contributor to stabilizing services. Thus, the government can enforce rules like minimum wage laws, fund programs like affordable housing, and incentivize business, communities, and individuals to behave in ways that advantage low-income individuals. One respondent suggested that when businesses ask local governments for tax breaks, city officials should bargain by requiring businesses to hire a certain number of local low-income workers in exchange. Other ideas included businesses voluntarily choosing to pay a living wage to employees and purchasing their products from social enterprises. These exchanges in effect achieve both a private and public interest.

While respondents believed overall in the viability of for-profit social enterprises, they tended to favor non-profit social enterprises due to preferable tax treatment and the possibility of holistically addressing the needs of clients in part through donated dollars. Of course, these responses may be bias because all interviewees were either non-profit leaders or heavily involved with non-profit work.

Stakeholder Model and Convergent Framework

A theoretical stakeholder model was created by analyzing overarching patterns from the Top 100 List and from the responses of interviewees. This integrative model demonstrates how agents generally perceive the roles of major stakeholder groups in interaction with the non-profit social enterprise.

The Role of Stakeholders in Aiding the Non-profit Social Enterprise



Definition of Terms in Stakeholder Model

Enforcer- government can enforce new or existing laws, particularly tax and structure laws, to help social enterprises succeed.

Incentivizer – government may incentivize stakeholders to utilize social enterprises through tax breaks and regulations.

Opinion Leader – the public and government may draw attention to social enterprises through a variety of public acts. Ultimately, the attitudes of government and the public, combined with their expectations of business behavior, may have an enormous impact on perceptions of social enterprise and the willingness to use it.

Purchaser – government, the public and business may all purchase goods and services from social enterprises if the quality and price is comparable to other available options. Organizations that employ the disabled already receive preferential consideration for government contracts; however, business purchasers are generally not incentivized to buy from social enterprises, especially if their products or services cost more. The public may be especially willing to purchase from social enterprises, although this depends on market demographics.

Funder – government, the public, and business can all fund social enterprise operations, or the training and development programs that accompany these enterprises through grants, donations, and charitable giving.

Employer – government and business may both employ individuals after they leave a social enterprise to seek work with another organization.

Awareness Generator – the public and business bring awareness to social enterprise through their purchases or other forms of support. The public can draw

awareness to social enterprises by buying their branded products, talking with friends about such organizations, and promoting social enterprises through social media. When businesses purchase products from a social enterprise, they may bring awareness of the enterprise's mission to their own employees, other businesses in their industry, and their own consumers.

Respondents wanted to see businesses, government, non-profits, and social enterprise work together to achieve measurable advances for the poor, but each expressed some, if not complete, doubt for the possibility of cross-sector collaboration. Three respondents mentioned how non-profits tend not to collaborate well, partly over fear of sharing donors, and also tend to avoid benchmarking and evaluations. Another respondent perceived the interests of business, non-profits, and government as too different to allow for meaningful collaboration, particularly in an effort to address issues of scale, like poverty.

Thus, based on this conceptual understanding of various stakeholder groups, and their roles within social enterprises, the following proposition is set forth:

Proposition 3: Government, the public, and businesses may all support social enterprises by purchasing their products and/or services.

DISCUSSION

The Times Top 100 Non-profits list suggests that just over twenty percent of the large U.S. non-profits are poverty-reducing organizations, by virtue of their mission statements and programs. Of these organizations, seventy-five percent offer education programs and seventy-five percent offer health or healthcare programs; however, only twenty-two percent, or five organizations, offer housing. Of all 100 top non-profits, seven

percent address housing, forty percent address education, and almost fifty percent address health/healthcare.

The interviewees in this research agreed that education and healthcare were important facets of the poverty solution, which suggest that major non-profits may be, in large scale, addressing some of the key causes of poverty. Whether their efforts are making a substantial difference is another question entirely. Interviewees were very insistent on the foundational importance of safe housing. Yet, large non-profits tend not to focus on this need. Perhaps a lack of effort on housing contributes to the fairly consistent poverty rate in the United States, which has hovered at an average of twelve percent for the past forty years.

The results of the research indicate potential for social enterprise playing a role not only in addressing social issues, but also in addressing the stubborn problem of poverty. Respondents showed favorable attitudes towards social enterprise and, with the exception of one respondent, were able to provide working definitions of the concept. Respondents liked how social enterprise can create predictable revenue streams for non-profits while also serving the needs of their clients through educational employment opportunities or by funding client-centered programs. Respondents saw a need for both for-profit and non-profit social enterprises, although they showed a slight preference to non-profit social enterprises. This is not surprising given that the interviewees are intimately involved with the non-profit world. Additionally, the sample did not have a preference for the employment or the product/service model for social enterprises. Admittedly, the question wording may have confused some respondents, but it seems that

the awareness generated through a socially minded product or service is certainly seen as valuable.

The question of whether or not social enterprises should be related to their non-profit parents poses an interesting challenge to traditional strategic management dogma. Respondents were split as to whether relatedness really mattered, particularly when non-profits owned an inherited resource or revenue-generating asset that was not actively sought by the organization and the use of which constitutes easy income. In sum, social enterprises *should* be related to the overall organizational mission but they do not *have* to be related.

By categorizing the steps needed to achieve self-sufficiency as stabilizing services and propelling forces, the role of social enterprise in reducing poverty is clearer. First, the stabilizing and propelling model demonstrates the key hindrances that generically apply to those in poverty, like inadequate housing, healthcare, education and employment. Of course, individuals have unique stories and backgrounds, but the model categories exemplify what these not-profit leaders perceive as the underlying causes of poverty. Second, the model shows how social enterprises can serve as either stabilizing services or propelling forces, although propelling forces like education and employment, which often occur together, are arguably the best fit for social enterprise.

Interviewees cautiously welcomed the idea of cross-sector collaboration. While collaboration was seen as ideal, it was never seen as positively realistic. This begs the question, “how should different segments of society interact to reduce poverty and is doing so even possible?” The stakeholder model focuses specifically on the natural functions of government, business and the public and requires few changes in behavior.

For example, business will always purchase supplies. The stakeholder model does not require businesses to stop purchasing or to drastically change their standards of quality and price when making purchasing decisions. Rather, businesses may change the source of their supplies by buying from social enterprises. Thus, the stakeholder model builds upon existing economic and social behaviors for the purpose of aiding social enterprise. Deeper forms of cross-sector collaboration, however, require new mindsets. Kramer's Collective Impact theory calls for organizations to pool resources, which is against the natural human instinct to preserve autonomy. Thus, in the City of Fort Worth, non-profits are particularly upset with program funding cuts due to the reallocation of resources for impact projects and hesitant to join collective impact initiatives. When non-profits can hardly agree to benchmarking, how should they be expected to give up their independence? In a broader sense, collective impact projects or cross-sector collaboration require funding and decreased autonomy – two things that institutions both private and public rarely volunteer freely. Paradigm changes occur slowly, so it may be best to ease into collaborative efforts by using the existing functions of sectors to their fullest extent. Rather than institutions reorganizing their roles and incentive structures, they may find it easier to support an external social enterprise, perhaps like Lighthouse for the Blind, that has already blurred the traditional lines of business and social welfare.

The findings of this research were limited in some aspects, primarily by geography and sample size. All respondents were located in Fort Worth, Texas so their similar responses may reflect particular social, economic, political, and religious perspectives of this region. Furthermore, answers may be shaped by joint experiences. For example, the City of Fort Worth's plan to end homelessness was cited by most

interviewees as an example of failed cross-sector collaboration. A successful city intervention could just as well enforce a positive image of cross-sector potential. Convenience samples offer valuable information but their findings cannot be applied more broadly.

Furthermore, this research assumes that non-profit organizations are most actively engaged in reducing poverty, and non-profit social enterprises are more common in the United States than for-profit social enterprises. For-profit social enterprises are more difficult to find, but future studies should consider interviewing a wider spectrum of social enterprises to gauge differences in perspective. Respondents should also come from wider geographies. Survey research should be utilized to make broadly applicable statistical statements about poverty and social enterprise attitudes in the United States.

IMPLICATIONS

For practitioners, the propelling forces model offers a structured way for articulating the role of social enterprise in poverty reduction and, to a lesser degree, its role in improving the welfare of individuals in general. This model may help non-profit leaders better understand both the underlying causes of poverty and the role of social enterprise in addressing this need.

Articulating the purpose of social enterprise in the larger context of poverty reduction may be especially useful as non-profits communicate their constructive contributions to their respective communities. The stakeholder model offers a cooperative glance at how society's major stakeholders may contribute to the potential of social enterprise without changing their fundamental roles. Social enterprise as a propelling force is both a meaningful conceptual tool and a powerful communications device,

because it demonstrates rather simply that social enterprise can be the bridge between poverty and self-sufficiency. In a nation that values equal opportunity and a “pull yourself up by your own bootstraps” approach, social enterprise conveys a powerful image of people working for their own success. Social enterprises already enjoy exceptional marketing opportunities due to the rich stories of hope and service that naturally imbue their business models and operations. The Propelling Forces Model supplements these stories by providing a more fundamental message for the social enterprise movement, upon which individual enterprises can build. If individual non-profit enterprises demonstrate “what we are doing” then the propelling forces model shows “where we are going” and how individual enterprises contribute to the larger mission of poverty reduction and social improvement.

While the propelling forces model is meant to primarily demonstrate in a broad, conceptual way the necessary steps to poverty reduction, its logic may be just as applicable to the general public or interested citizen as it is to the devout social entrepreneur. Similarly, the stakeholder model is both a conceptual tool and communications tool. This model is based on the premise of a non-profit social enterprise, because the for-profit social enterprise competes more closely within the realms of the “business” stakeholder group. In practice, both non-profit and for-profit enterprises are accountable to market demands like product quality and price; however, their relationships with the government take on inverse roles, changing from funder to taxpayer.

The proposed stakeholder roles are relevant not only for non-profits, but also business, government, and the public. For example, the public and government can both

play important roles as opinion leaders. In fact, this role may be of the most importance because public attitudes towards social enterprise, particularly in an era of increased social consciousness, can significantly affect overall purchasing and funding patterns. Just as the social enterprise idea crosses the thresholds of traditional thinking by blurring the lines of non-profit and for profit, social good and revenue generation, so the social enterprise stakeholder model relies on multiple groups with different incentives. All things equal, the motive to utilize social enterprise is very strong, both for the purposes of general social welfare and of poverty reduction.

Overall, both models are broadly useable by members of all stakeholder groups, and demonstrate how cross-sector involvement in social enterprise ultimately results in the grander goals of economic and social progress, particularly for the poor.

CONCLUSION

Through an analysis of the Top 100 Non-profits list and a qualitative analysis of semi-structured interviews with non-profit leaders in Fort Worth, Texas, this research shed light on the perceived role of social enterprise in poverty-reduction.

First, the Top 100 list showed that less than one-quarter of the largest non-profits concentrate explicitly on poverty, and of those poverty-reducing organizations, seventy-five percent emphasize education and seventy-five percent emphasize healthcare; however, less than one-quarter of these organizations address housing. This stands in partial contrast to the opinions of non-profit leaders who saw housing as a foundational necessity. Furthermore, interviewees viewed housing, healthcare, and education as important services but not anti-poverty measures in and of themselves.

Interviewee responses led to the creation of the propelling forces model, which asserts that stabilizing services like housing, healthcare, and temporary assistance are foundational to all individuals. Once these stabilizing services are provided, education and wealth creation can be pursued as propelling forces. Taken together, stabilizing services and propelling forces lead to economic independence and self-sufficiency. Social enterprises best serve the role of propelling services, particularly by educating and employing workers.

Furthermore, the stakeholder model illustrates the roles that government, business, and the public can play in helping to support social enterprise. All three groups have in common the role of purchaser, which drives the financial sustainability of social enterprises. This model shows how the major stakeholder groups can influence the development of social enterprise without significantly changing their societal or functional roles, only their willingness to engage directly with social enterprises.

The aforementioned two models explain how social enterprise plays a role in helping to reduce poverty; however, this study cannot comment on the scalability of social enterprises as poverty-reducing agents. Some of the enterprises encountered in this study certainly seem replicable, but no enterprise by itself, no matter how replicated, seems capable of solving poverty. Thus, a substantial lessening of the national poverty rate through social enterprise would require numerous enterprises in hundreds of communities that address various issues. Nonetheless, any enterprise should take into account the propelling forces and stakeholder models when conceptualizing the adequacy of their services and their success in leveraging the support of key stakeholders.

Reducing poverty will take a concerted, cross-sector effort that focuses holistically and long-term on the problem. This research shows that social enterprise is capable of playing an influential role in improving the lives of low income individuals and helping them work from the depths of poverty to the heights of self-sufficiency.

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APPENDIX

List of Interview Questions for Semi-structured Interview

Clusters	Illustrative Questions
Job Responsibilities	What does your job typically entail?
Poverty Parameters	How do you define poverty? In your opinion what are the underlying causes of poverty?
Poverty Solutions	What do you consider a poverty program or poverty-reducing program? How is your organization specifically addressing poverty? Are NFPs wise to concentrate on education and health programs as a means of reducing poverty, or should they refocus their efforts?
Social Enterprise Parameters	What do you consider a social enterprise? What social enterprises do you have at your organization?
Social Enterprise as Poverty Reducer	How can social enterprise be used to reduce poverty? What poverty-reducing areas do you think are best suited for social enterprises?
Cross-sector Collaboration	What are the appropriate responsibilities of government, not-profits, for-profits and the social enterprises in reducing poverty? What government, for-profit, or non-profit programs do you perceive as most successfully impacting poverty?

ABSTRACT

Four non-profit leaders and one community poverty expert participated in semi-structured interviews focused on poverty and social enterprise. Their answers elucidate perceived causes of poverty in the United States and offer a clear role of the non-profit social enterprise in facilitating “stabilizing services” and “propelling forces” that help to reduce poverty. While social enterprises should be related to their organization’s mission, inherited resources prove a powerful exception to the rule. Lastly, this research proposes proactive roles for business, government, and the public in supporting social enterprises.