**Abstract**

Through primary source fieldwork with public sector advisors and policy makers, we examine the role of entrepreneurship within charities, not-for-profits and nongovernmental organisations. We consider the literature on the development of social enterprises and explore whether entrepreneurial characteristics are necessarily a feature of such enterprises. These include risk-taking, the ability to identify a market gap, and innovative behaviour. Through primary-source evidence, gathered by face-to-face interviews with key policy makers and support workers in the charitable field, we debate whether the characteristics of an entrepreneur can and should be applied within social enterprises. Our findings are equivocal, in that some can see the benefit, whilst others worry about the commercialisation of public sector ventures and a lack of trust in the motivations of an entrepreneur. Overall, we recommend that further empirical evidence be examined, in order to identify whether and how having an entrepreneurial orientation might legitimise the behaviour of social enterprises.

**1. Introduction**

Scotland has a long history of entrepreneurial success, dating back at least as far as the Scottish Enlightenment of the 18th Century. Philosophers such as David Hume and Adam Smith, for example, developed new ways of thinking about social and political economy. Later, Andrew Carnegie applied his entrepreneurial talents to great effect, in generating a huge fortune for himself, and subsequently increasing the welfare of others through his philanthropic endeavours. The recent census of social enterprise in Scotland finds over 5,000 social enterprises operating in the country, with a net worth of over £3.68 billion, and accounting for the employment of over 110,000 people (Social Value Lab, 2015). With its history of entrepreneurship, innovation and, latterly, social enterprise, Scotland therefore gives us an excellent setting for this study.

Our interest in this paper lies in developing an understanding of the role played by entrepreneurship (cf. Hjorth, 2013) in social enterprises, operating within what is often called the ‘third sector’. The usefulness of entrepreneurship in enabling individuals to move from lower to higher social classes and into the business elite has been explored by, for example, Foreman-Peck and Smith (2004), who look at entrepreneurship from an historical perspective. Here, we wish to see whether an entrepreneurial orientation remains equally useful in modern civil society. Sometimes called the ‘social economy’ (e.g. Zappala and Lyons, 2009), where private organisations provide public services, organisations in this sphere include traditional charities, private schools, universities, credit unions, cooperatives, sports clubs, trade unions,
political parties and housing associations. They encompass a wide range of different types of organisations, each with distinct values, objectives, structure and stakeholders.

Halfpenny and Reid (2002) understand this sector is very diverse and that any attempt to homogenise it would be to do the sector a disservice, and could lead to significant elements being excluded from a definitive definition. Alcock (2010) is wary of ‘negative definitions’, that is, descriptions of what the sector is not. For example, social organisations are often described as non-governmental, to help distinguish them from the public sector. Alcock (2010) cites Levitt’s (1973) description of the sector as ‘an enormous residuum’, after private and public organisations are accounted for. However, these explanations do not provide a positive definition of the third sector. Alcock (2010) describes this as an exogenous approach to defining it; we form a definition based upon other organisations which exist, and categorise it accordingly. This is in contrast to an endogenous approach, which would seek to define the sector based upon its own features and characteristics. Given the complexities in seeking definitions, and the lack of consensus about terminology (cf. Bacq & Janssen, 2011), we rather loosely use the various terms interchangeably, to describe the organisations within the third sector. A consideration of these issues follows below.

The paper proceeds, following this brief scene-setting, with a background discussion on social entrepreneurship, and the difficulties and proliferation of terms and definitions within this literature. This incorporates a consideration of evidence for the existence of social enterprises, and subsequently whether being a social enterprise necessarily implies the existence of entrepreneurial characteristics. It further discusses the potential pitfalls and risks inherent in adopting too entrepreneurial a stance, and whether a perceived commercialisation of the enterprise could deter donors, who might see the enterprise as losing its sense of mission. We then discuss briefly the methodology on which this work is founded, followed by a discussion of the qualitative evidence gathered by primary-source fieldwork. We finish with a conclusion and some recommendations for practice and policy.

2. Background

Despite increased attention in recent years (Hemingway, 2005), the term ‘social entrepreneurship’ remains difficult to define (Choi and Majumdar, 2014). Several competing ideas exist for what it means, however, a consensus amongst writers and academics continues to elude. For example, Mair and Marti (2004) say that both ‘social’ and ‘entrepreneurship’ are
ambiguous words, inevitably leading to difficulties in defining a combination of the two. Roberts and Woods (2005) state that the difficulty in labelling the phrase can be attributed to its relatively recent introduction in everyday language. Zahra et al. (2009) contend that the term encompasses economic and social outcomes, and that the problem lies in defining what is meant by the latter. These are only some of the reasons for why pinning down a definition has proved so difficult. Austin et al. (2006) describes how the concept of social entrepreneurship is still being developed and has yet to be fully considered or understood. Because of these difficulties, a significant amount of research has been carried out on social entrepreneurship; not only in its application within the commercial and non-profit sectors, but also in understanding its meaning too [cf. Choi and Majumdar (2014); Borschee and McClurg, 2003; Dees, 1998, 2003; Friedman and Desivilya, 2010; Martin and Osberg, 2007; Nicholls, 2010; Seelos and Mair, 2005].

One of the earliest definitions of social entrepreneurship is provided by Dees (1998), who uses the following criteria as a starting point:

1. ‘Adopting a mission to create and sustain social value (not just private value)
2. Recognizing and relentlessly pursuing new opportunities to serve that mission
3. Engaging in a process of continuous innovation, adaption, and learning
4. Acting boldly without being limited by resources currently in hand, and
5. Exhibiting heightened accountability to the constituencies served for the outcomes created’

(Dees, 1998, p.4)

Describing this as an ideal definition, Dees (1998) states that it is not necessary to fulfil all five of these to be labelled a social entrepreneur. However, the closer a person is to meeting these criteria, the more appropriate the term becomes. The similarities with traditional entrepreneurship are evident; pursuing opportunities, education and innovation are important elements of establishing a new business. The only real distinction to be made is the aim to create social value, as opposed to solely pursuing private (financial) value. Therefore, according to Dees (1998), social entrepreneurs are fundamentally very similar to their traditional counterparts. Any differences between the two exist because of the context in which they operate (i.e. the non-profit vs. the private sector).

Others have criticised the perspective taken by Dees (1998). Borschee and McClurg (2003) state that in order to fulfil the entrepreneurship part, the organisation in question must be generating earned income. In other words, the acceptance of grants or large donations does not allow an individual to describe themselves as a social entrepreneur. Even if good things are
achieved with the funding, the organisation is not ‘sustainable or self-sufficient’, and would be ‘innovative, not entrepreneurial’ (Borschee and McClurg, 2003, p.3). The authors take issue with the criteria provided by Dees (1998), arguing that it is not enough on its own. They describe the absence of earned income from the definition to be ‘conceptually flawed’ and ‘psychologically crippling’ (Borschee and McClurg, 2003, p.4). A traditional entrepreneur would be expected to create a sustainable business that is not dependent upon capital injections; so social entrepreneurship should be no different. Therefore, it could be argued that detractors of Dees (1998) essentially hold the same view; that the two types of entrepreneurship are fundamentally the same in terms of income.

Dees (2003) reinforced his view that social entrepreneurship and earned income were not inextricably linked, feeling that it focuses too much on inputs (i.e. resources needed to operate) and not enough on social outcomes. He adds that a fixation on income risks equating profits with social performance (cf. Luke et al., 2013), which, in his view, can never be done. A social entrepreneur should be judged on what they achieve (outcomes) and not how they have achieved it (inputs). In other words, the source of the income is irrelevant when judging an individual’s contribution to social value. As Galera and Borzaga (2009, p.211) point out, not all authors agree that ‘the carrying out of economic activity in a continuous and stable manner’ is required for the social entrepreneurship label.

Borschee and McClurg (2003) and Dees (1998, 2003) represent two polarising views on social entrepreneurship, and alone are enough to demonstrate why the term is so difficult to define. However, many other contributions have also been made to the debate. Perhaps the most simple and straightforward definition has been given as ‘…entrepreneurial activity with an embedded social purpose’ (Austin et al., 2006, p.1). Using this broad definition, the term can be applied to the pursuit of social value creation in any sector. It need not only relate to non-profit organisations, as ‘social purpose’ could apply to individuals working in private organisations, too. Roberts and Woods (2005) refer to it as the ‘…application of entrepreneurship in the social sphere’ (p.46). This differs slightly from the definition provided by Austin et al. (2006), instead keeping the focus on the non-profit sector.

More broadly, Chell (2007, p.18) defines entrepreneurship as ‘recognising and pursuing opportunities with regard to the alienable and inalienable resources currently controlled with a view to value creation’. This allows scope for financial and social value, negating the use of the word ‘social’ at all. The term entrepreneurship is here applicable to both economic and social activities. Though these attempts to define the term may appear trivial, they are a
testament to how difficult and confusing social entrepreneurship can be, and potentially hinder research on its practical applications within the non-profit sector.

Martin and Osberg (2007) attempt to define ‘entrepreneurship’ and highlight that it is only through success that individuals find themselves being labelled entrepreneurs. Failure (i.e. investing in a new business which subsequently goes bankrupt) does not entitle a person to describe his or herself as an ‘entrepreneur’. Adding the word ‘social’ would imply the same; the failure to achieve social objectives would deny that individual the opportunity to label themselves as a social entrepreneur. Therefore, the non-profit’s aims are twofold; to achieve some sort of social goal and maintain long term financial stability. The point made by Martin and Osberg (2007), that social entrepreneurs exist to solve some sort of social inequality, is an example of a solution to market failure. This is a theory also considered by Austin et al. (2006). Market forces and, by extension, traditional entrepreneurs, will not intervene, as there is no financial incentive to do so. A social entrepreneur would however see this opportunity to create social value, much in the same way that a private sector entrepreneur would see a market gap as an opportunity to create economic value.

Another notable point is that Martin and Osberg (2007) do not mention economic value creation within their definition. The focus appears to be entirely on the social purpose. This perspective is distinct from Dees (1998), who does include economic value. However, both agree on the focus on outcomes, not the financial inputs required to achieve them. Furthermore, Martin and Osberg (2007) do not see the similarities between entrepreneurship and social entrepreneurship being merely financial, arguing that money is not the sole motivation behind every entrepreneur’s ambitions (for example, the wish to be self-employed). However, both types of organisation have economic responsibilities: ‘Non-profit entrepreneurs are utility maximizers within a financial constraint.’ (Auteri, 2003, p.181). It may not be the primary objective, but financial stability is crucial for any organisation’s long term survival, regardless of why it exists.

Seelos and Mair (2005) state that the challenge with understanding social entrepreneurship is tackling the ‘social’ part, and interpreting what is meant by it. The authors say that no one disputes the definition of entrepreneurship (though Mair and Marti (2004) earlier described the term as also being ambiguous); it is the addition of ‘social’ which creates the controversy. Their definition of social entrepreneurship is as follows:
‘Social entrepreneurship creates new models for the provision of products and services that cater directly to basic human needs that remain unsatisfied by current economic or social institutions.’ (Seelos and Mair, 2005, p.243-244)

This description shares much in common with business entrepreneurship, as any new enterprise is there to fill a market gap not addressed by existing organisations. This is the point about market failure discussed earlier. An entrepreneur will take advantage of an opportunity, a gap, to create value. For the social entrepreneur, the process itself is identical; an opportunity to create value is observed and seized upon. The distinction lies in the nature of the outcome achieved. Any goal to create economic value is secondary and exists only to allow the organisation to continue operating as a going concern (Seelos and Mair, 2005). As Dees (1998) states: ‘Wealth is just a means to an end for social entrepreneurs’ (p.3). Social achievements need not be the preserve of social organisations, however. Reynolds et al. (2002) acknowledge that traditional enterprises provide a social benefit in the form of job creation. Therefore, an overlap exists for both economic and social value creation, the difference lies in which commercial and non-profit organisations seek to prioritise.

Roberts and Woods (2005) offer a definition they describe as bringing together academic and practitioner perspectives:

‘Social entrepreneurship is the construction, evaluation and pursuit of opportunities for transformative social change carried out by visionary, passionately dedicated individuals.’ (Roberts and Woods, 2005, p.49)

Here, the authors contend that the term social entrepreneurship need not only apply to the non-profit sector. The development of social accounting and the double/triple bottom line has help reduce the distinction between sectors. Social entrepreneurship could also be applicable to commercial enterprises who adopt practices that are not financially motivated (a point also made by Austin et al. (2006)). However, not everyone agrees with this, for example, Zahra et al. (2009) argue that this falls outside the scope of social entrepreneurship. The authors contend that commercial enterprises which are engaged in non-economic activities are not the same as non-profits, who must balance social and financial targets. The pursuit of social objectives by firms cannot be equated with the tackling of financial constraints by non-profits. Firms are not dependent upon the success of their social and environmental goals, and will not suffer in any meaningful way should they fail.

These competing theories have formed the basis for the discussion on social entrepreneurship. This has led to Choi and Majumdar (2014) describing it as a ‘contested concept’ and, using theory introduced in Gallie (1956), provide evidence for this claim. Contested concepts depend
upon seven key criteria: appraisiveness, internal complexity, various describability, openness, aggressive and defensive uses, original exemplar and progressive competition (Gallie, 1956). Choi and Majumdar (2014) conclude that social entrepreneurship meets these criteria, explaining in detail why the concept fulfils each point. The authors state that this is the reason behind the difficulty in providing a universal definition. Based on the existence of several sub concepts i.e. ‘social value creation, the social entrepreneur, the social entrepreneurial organization, market orientation and social innovation’ (Choi and Majumdar, 2014, p.10), the authors conclude that social entrepreneurship can also be described as a ‘cluster concept’. The phrase embodies all five of these terms and does not require equal sharing of them; it is perfectly reasonable to refer to social entrepreneurship when discussing any of these sub concepts individually. Research remains ‘young and fragmented’ (Gawell, 2012, p.1) however, leaving scope for much to be studied.

According to Wilson (2008), the increasing popularity of social entrepreneurship can be attributed to a number of different reasons, including: a wish to see change in existing systems (i.e. frustration with government); and a search for meaning in people’s work lives (cf. Hjorth, 2013). Defining social entrepreneurship has been the thrust of much academic research (Hoogendoorn et al., 2011). However, the popularity of labelling it has not been matched by empirical research on its existence [cf. Morris et al., 2007; Nicolls, 2009; Short et al., 2009]. In fact, according to Dacin et al. (2011), it is difficult for academics to explain why it might be worth considering or adopting unless its attributes can be defined. Subsequently, there is limited data on social entrepreneurship. Nevertheless, this has not discouraged the proposal of potential research avenues; for example, one such avenue for practical research, suggested by Dacin et al. (2011), is discovering how social entrepreneurs meet and interact with one another. Do they build relationships and trade ideas for the benefit of their work?

One of the few studies to examine social entrepreneurship in practice was conducted by Hoogendoorn et al. (2011). Using data gathered by the European Commission on entrepreneurship which, for the first time, considered social entrepreneurship in 2009/10, the authors seek to examine the probability of being a social entrepreneur compared with a traditional entrepreneur. To do this, the writers examine three possible factors based upon the data sample, which consists of approximately 26,000 questionnaire responses from 36 countries (predominately European countries, but also the US, China and several others.).

The first of these factors examines whether social entrepreneurs can acquire the same level of financial support and start-up information as their commercial counterparts. This was found
not to be the case, with social entrepreneurs typically struggling to match the support received by others. Consequently, it was found that they struggle to survive the early stages of running their organisation (for traditional entrepreneurs, one in five see their ventures fail within the first 12 months (cf. Fritsch et al., 2006). The second factor examined how tolerant for risk social entrepreneurs are compared with others. The authors began with the assumption that they view risk differently from commercial entrepreneurs for a number of reasons. For example, most will not stake their own personal capital and instead feared damage to their reputation. This fear causes social entrepreneurs to be more risk averse than their commercial counterparts, despite a lack of personal financial risk. This could also be explained by the possibility that they fear failing the social cause, and the resulting impact on individuals they seek to aid. Lastly, a study of the demographics finds differences which exist between the two groups. Social entrepreneurs are typically more likely to be female, as well as either particularly young or old. This contrasts with traditional entrepreneurs, who are overwhelmingly male and usually 30-50 years of age.

Another study by Basu (2012), sought to examine social entrepreneurship through three case studies in Indian villages. Though the individuals under consideration would perhaps not describe themselves as social entrepreneurs, their role as community leaders seeking to improve education and living conditions causes the author to describe them as such. The study found that locals became much more self-sustainable (i.e. a reduced need for government assistance) when the appropriate leadership was in place. More importantly, the locals were taught well enough to ensure that, when the leadership inevitably departed, they would continue to thrive in their absence. Subsequently, these social entrepreneurs provided both a social and economic benefit to the area in which they operated.

Despite the interest in defining social entrepreneurship, the topic has seen limited academic attention with regards to its application (Morris et al., 2007; Nicolls, 2009; Short et al., 2009, and the impact of entrepreneurial thinking on third sector organisations deserves closer scrutiny. Zahra et al. (2009) state that due to government cuts in spending, entrepreneurial activities are required to help fill the funding gap. The typical practises employed by non-profit organisations deny them from obtaining the greatest possible income. Dees (1998) imagines social entrepreneurs to be offering a unique kind of leadership within the third sector. They bring a tolerance for risk, proactiveness and innovation (cf. Sullivan Mort et al., 2003; Tapsell and Woods, 2010). Without them, overall donations could be much lower, thereby in turn reducing the social impact these organisations can make.
Entrepreneurial orientation is a concept used to determine whether a firm is experimental or conservative in their approach to strategy (Morris et al., 2011). Based on three criteria; innovativeness, proactiveness and risk taking, it is possible to determine how ‘ground breaking’ the firm is, and whether their operators are behaving in an entrepreneurial manner. Innovation is the use of new information, perhaps taken from theory and then applied to the business operations (Eisenhart and Martin, 2000; Miller, 1983). Proactiveness is the firm’s ability to anticipate what people need or want, and be ready to provide this before their competitors can (Lumpkin and Dess, 1996; Miller, 1983). Risk taking relates to the firm’s readiness to accept new projects which could lead to significant losses (Lumpkin and Dess, 1996; Miller, 1983). According to Miller (1983), all three of these must be considered together when assessing a firm’s level of entrepreneurship.

Entrepreneurial orientation can also be considered within the non-profit sector (Morris et al. (2011) state that this is what led to the development of social entrepreneurship theory in academic literature). While the concept was originally designed to apply to profit making organisations, it can be adapted to suit a different context if required. Key elements of it, for example the adoption of a positioning strategy, can be applied to non-profit organisations (Balta et al., 2012). Entrepreneurial orientation has been shown to benefit a firm’s performance in a number of studies (see: Davis et al., 1991; Wiklund, 1999; Zahra et al., 1999), however, its application within social enterprises has not been extensively looked at. Non-profits have much more complicated stakeholder relationships, requiring them to treat innovation, proactiveness and risk taking very differently:

Nevertheless, it has been argued by Morris et al. (2007) that the absence of a profit incentive does not deny these organisations the opportunity to think in an entrepreneurial manner. In fact, it might actually be beneficial for them to do so, with academics offering three main reasons. First, it can raise income and/or improve efficiency, thereby making the organisation more financially sustainable. Second, it offers greater perspective with regards to the demands of the organisation, and where it fits in a social problem larger than they are (cf. Dart, 2004). Thirdly, the organisation might more readily predict changes beyond their control, which offer the chance to create social value (Badelt, 1997; Dees, 1998; Morris et al., 2011; Pearce et al., 2009; Zahra et al., 2009). Entrepreneurial thinking need not only be used to create financial value for non-profit entities; it has potential for social value, too.

However, in a study of entrepreneurial orientation and market orientation in the US non-profit sector, Morris et al. (2007) found that the former did not have a positive impact on financial

9
performance, whereas the latter did. Financial performance measures, such as revenues, expenses, assets and donations, did not benefit from the adoption of entrepreneurial thinking. The use of market orientation (when directed towards donors) did translate into better performance for non-profits. This is perhaps unsurprising, as targeting donors should translate into more funding.

By targeting benefactors, non-profit organisations can potentially create financial value. No evidence was found which suggested such a link existed for entrepreneurial orientation. Morris et al. (2007) explain that while this approach did not necessarily translate into better financial results, they speculate that it could still potentially be useful for improving social performance. Nevertheless, the creation of financial value through market orientation is undoubtedly good for a charitable organisation, and can be turned into social value if appropriately used.

Miles et al. (2013) found that the adoption of an entrepreneurial orientation can actually be harmful to the economic performance of a social enterprise (Morris et al. (2007) found no apparent relationship). Innovation, strongly encouraged for profit-making firms (based on research which has shown it to improve performance, see: Rauch et al. (2009)), could in fact be damaging. The adoption of new ideas and theory, invaluable for firms, does not necessarily translate into better performance, financial or social, for non-profits. However, Beekman et al. (2012) highlight innovation as being particularly important for non-profits if they wish to be sustainable. Unfortunately, research on whether such organisations should become more innovative has been limited, despite attention within the field of entrepreneurship (Balta et al., 2012).

Despite this though, third sector organisations can potentially benefit through other means. While firms cannot gain financially from the creation of positive externalities, a non-profit may well, through their activities, benefit others in an unintended way (Goodin, 2003). Due to the altruistic nature of such an enterprise, the effect can be passed on freely because the organisation exists to create social value. Profit making firms may see this as a missed opportunity, owing to the free rider problem associated with non-excludable goods.

Adopting a more business-like approach can sometimes be detrimental to social causes. Polonsky (2003) argues that there is a risk only the best marketers will receive funding (be it through government grants or individual donations), possibly at the expense of the most in need. Furthermore, charities might pursue funding for causes they feel are easier to sell to potential donors, instead of prioritising what they feel should be tackled first. For example,
Polonsky (2003) discusses how charitable causes relating to children are easier to market than issues which tend to affect older generations e.g. prostate or liver cancer. This may lead to funding gaps for important causes, or even risk seeing them ignored altogether. Balta et al. (2012) state that the UK third sector is now much more commercialised, with non-profits running the risk of forgetting their core, social purpose. This puts non-profits in an awkward position if they are seeking growth within the sector (Auteri, 2003).

Furthermore, Haugh and Kitson (2007) state that third sector organisations risk sacrificing their values and losing legitimacy by pursuing certain sources of income, for example, risking ‘mission drift’ (McBrearty, 2007) by focusing on funding instead of the social cause. Although it is crucial for non-profits to consider their financial situation, it cannot be prioritised over the core mission. According to Thompson and Williams (2014), however, if social enterprises want to attract more funding, they cannot remain a third sector organisation culturally, and must borrow from the private sector. Competing for funding, whether it is in the form of grants, contracts or donations, inevitably forces the organisation to function differently than it otherwise might.

Second is the difficulty in comparing social objectives. An entrepreneurial way of thinking, easily considered in a profit making context, is difficult to apply to social targets as everyone perceives them differently (Polonsky, 2003). A single organisation might have multiple social objectives that are difficult to rank based on importance. The measurement of social performance depends upon subjective opinion (Morris et al., 2007). Furthermore, opportunities to increase income may arise which cannot be translated into social wealth (Zahra et al., 2009). These chances may be very tempting to those who label themselves social entrepreneurs; however, their pursuit would not further the cause they seek to aid. This has raised questions about the ethics and legitimacy of social entrepreneurship and whether it is right for non-profits to adopt such practises at all (Clegg & Gordon, 2012; Zahra et al., 2009). McBrearty (2007) states that social entrepreneurship can only be appropriately considered where the organisation’s output consist of some tradable product or service. However, the third sector exists due to the prevalence of market failure, and looks to meet needs that market forces cannot (or will not) satisfy (Haugh and Kitson, 2007). Therefore such a product or service is unlikely to exist.

Another issue is that one of the three components of entrepreneurial orientation, risk taking, would have to be treated very differently in non-profit organisations. Management who decide to take big risks with donations may appear reckless, and would lose the trust of their donors.
Not only would money be at risk but the charity’s reputation too. Risk taking, typically perceived to be a positive trait in the commercial sector, would not necessarily be so amongst non-profits. Chell (2007) describes the conflict between entrepreneurship and social causes as appearing to be a ‘culture clash’ and questions the possibility of merging the two together. Entrepreneurship is synonymous with economic success i.e. wealth creation; it does not lend itself well to other types of objectives. Similarly, there is no conceptual framework which explains why social entrepreneurship would be a good way at tackling social problems (Austin et al., 2006; Mair and Marti, 2006; Sullivan Mort et al., 2003).

Lastly, Morris et al. (2011) cite a number of studies which have examined entrepreneurial thinking in non-profit organisations. They are highly critical of the approaches taken, feeling that these studies do not account for the complex stakeholder relationships held by non-profits. Furthermore, the diversity within the sector demands a more complex framework through which to examine the existence of entrepreneurial orientation in non-profit organisations. For the commercial sector, serving customers well will usually lead to better financial performance. The same may not apply to the non-profit sector, as serving beneficiaries is not necessarily linked to donations (Morris et al., 2007). In addition, as discussed before, Miles et al. (2013) found no evidence that charities benefited financially through the adoption of entrepreneurial practices. Though this is not evidence against improving social performance, the two are arguably inextricably linked and there is little reason to believe it would be enhanced either.

3. Methodology
The fieldwork evidence upon which this study is based was gathered by means of a series of unstructured interviews with key players. The five interviews for this study were held with individuals who, instead of working for a non-profit directly, were connected to the sector in some other capacity; e.g. as advisor or policy maker. These interviews followed a broad and flexible agenda (cf. Table 1), which looked at: the third sector in general; the specific experience of the respondent; entrepreneurship in the third sector; reporting on activities, in both a financial and non-financial sense; and the accountability of organisations to their various stakeholders (cf. Hyndman & McConville, 2018). The unstructured format served to establish what the respondents felt were the key issues facing the non-profit sector, in order to better inform semi-structured questionnaire design at a later stage. Thus the findings of this stage of research are of an inductive and illustrative nature and are raised to encourage further debate of the issue.
Table 1
Unstructured Interview Agenda

1. Background experience of respondent
2. Defining the Third Sector
3. Entrepreneurship in the Third Sector
4. Financial Reporting
5. Nonfinancial reporting of activities
6. Accountability to stakeholders

The respondents comprised of two staff members for a local voluntary support group and three employees at the Office of the Scottish Charity Regulator (OSCR). These interviews were held during February and March 2015 at their respective head offices in North Lanarkshire and Dundee, in Scotland. Each interview lasted for approximately 60-90 minutes. Of the two voluntary support group employees, Respondent A is a Senior Volunteering Development Advisor with ten years of experience within the non-profit sector, including five at his current organisation. Respondent B is a Development Advisor, with 40 years of experience within the sector, including four at the current organisation. The purpose of their organisation is to ‘provide vital support to educate and advise third sector organisations’. Their revenues totalled around £1.64 million in 2013/14 and they have 27 employees, with no voluntary workers. Their responses provided insight as to how individuals who work closely with non-profit organisations view the importance of reporting, accountability and social entrepreneurship. In fact, much of the support provided by the respondents to non-profits directly addresses these issues. For example, they assist with financial reporting; an area where many smaller charities struggle.

The remaining three interviews were held with employees of OSCR. Respondent C is an accountant advisor for the regulator, with an Association of Chartered Certified Accountants (ACCA) qualification. At the time of the interview, she had worked for the OSCR for approximately four years. Respondent D is on the senior management team and is a co-chair of the national SORP committee. She is a member of the Institute of Chartered Accountants of
Scotland (ICAS) and has worked at the regulator for eight years. Respondent E is the Head of Engagement for the OSCR and is the ‘first point of contact for many charities and others’. She has a PhD in empowerment and has worked at the OSCR for around 18 months, with fifteen years of previous international experience at Christian Aid. OSCR itself has existed since December 2003, following the devolving of powers to the Scottish Parliament. It has an annual budget of approximately £3m and around 50-60 employees. OSCR was contacted for interview due to this study primarily taken place within Scotland and the relevance of the topics addressed. As the regulatory body for charities operating within Scotland, OSCR provided an alternative perspective to that found from the other respondents at this stage, as well as that of the later semi-structured interviews with non-profits themselves.

4. Evidence and Discussion

4.1 Social Entrepreneurship in Practice

The interview discussions examined the role of entrepreneurship (cf. Watson, 2013) within the non-profit, or third, sector. The interviewees were asked about entrepreneurship on an individual level (social entrepreneurship), as well as at an organisational level (social enterprise). The aim of this section is twofold; to determine the current prevalence of entrepreneurship within a non-profit context and, secondly, to examine the potential for its adoption within the sector. This is considered in terms both of individuals and of organisational structures. As Wilson (2008) describes, the distinction between social entrepreneurship and social enterprise is merely in the form that entrepreneurship takes. The two ultimately refer to the same concept and incorporate the same ideas. Therefore, both will be considered in this analysis. In the first part of this discussion, social entrepreneurship is considered.

The respondents held a wide range of different views on this subject. Some voiced opposition to the concept, fearing it to not be applicable non-profits. Others stated that they recognise its value within the sector. For example, Respondent A discussed social entrepreneurship from the perspective of funding, describing it as being a potentially useful strategy to raise money in an increasingly crowded sector:

‘People and organisations must think outside the box – good for funding to think differently from others who are effectively competitors. The third sector is no different from the private sector in that respect; there is a great deal of competition. If they don’t get funding, and when the money is there, that means someone else will. If they really believe in their charitable cause they have a social obligation to
Respondent A describes how important it is for charities to be proactive. The non-profit sector is subject, in its own way, to the same forces that influence the private sector. Competition exists for funding and it is important for charities to demonstrate they are a cause worth supporting. If the management or volunteers of a charity truly believe that their charitable cause deserves to be funded, then they have a duty to make this clear to donors. Not being proactive risks jeopardising the cause they believe in and losing the trust of the beneficiaries they serve.

To Respondent A, taking the initiative is a key component of entrepreneurship.

According to Dees (1998), this sort of behaviour is characteristic of a social entrepreneur. Two of the five criteria Dees (1998) provides in his early definition state a social entrepreneur would be ‘recognizing and relentlessly pursuing new opportunities to serve that mission’ and ‘acting boldly without being limited by resources currently in hand’. A proactive strategy geared towards acquiring funding would satisfy these criteria. This behaviour would be similar to that of a traditional, private sector entrepreneurship, with the social mission being the only visible distinction; the two are fundamentally alike in many respects.

Another characteristic of a social entrepreneur is the ability to spot, and successfully target, a ‘needs gap’ that exists within the non-profit sector. Respondent C stated that charities seek to fill a social gap they have observed in their local area:

‘Charities are set up to meet needs rather than to make a profit. They exist to meet a needs gap that they have noticed. Within the private sector, spotting a gap in the market might be an opportunity seized without any particular interest held by the entrepreneur beyond a financial incentive.’

Respondent C described how non-profit organisations have their own equivalent of the private sector market gap. Instead of exploiting a market gap for financial gain, charities will put their resources towards filling a social need instead. One of the characteristics of a social entrepreneur is the ability to do this successfully (cf. Martin and Osberg, 2007). The ability to create social value is observed by the social entrepreneur, a task not recognised (or ignored) by others both within and outwith the non-profit sector.

When asked to describe what a social entrepreneur might look like to him personally, Respondent A stated that he imagines them to have a for-profit background to which long-standing charity employees and volunteers might not relate:
'I think most charities would be grateful for any help e.g. someone from the private sector wanting to help us would be good for the organisation if it translated into more funding in the long run. But may be resisted by smaller organisations who are wary of changing the way they do things – well established practices may be completely undermined or changed which makes volunteers uncomfortable.'

Respondent A, despite earlier expressing support for the concept, worried that a social entrepreneur might attempt to introduce changes or ideas to which charities were resistant. He imagined a social entrepreneur to have spent time in the private sector. This would result in them holding a very different view on management and strategy when compared with traditional charities. Balta et al. (2012) discuss how in the UK, the non-profit sector has become increasingly commercialised, thereby jeopardising the social purpose of many charities. The strategies adopted by social entrepreneurs is at odds with the way of thinking most non-profits adopt.

For example, risk is an important issue for both traditional and social entrepreneurship. The traditional definition of entrepreneurial orientation includes it, alongside proactiveness and innovation, as an important component. Measured risk-taking is essential to be being a successful entrepreneur. However, this must be treated differently in the non-profit sector if a social entrepreneur does not want to be appear reckless or to lose the trust held in him or her. Chell (2007) describes this as a ‘culture clash’; the pursuit of social value via business strategies.

Respondent E expressed concern that people do not enter the non-profit sector for the right reasons today, but do so for their own gain, raising issues about the perceived legitimacy of such organisations:

‘People do not join charities for the same reasons anymore. It perhaps used to be more value driven, but today people will join an organisation for career prospects, salary and maybe the opportunity to travel. The ethos is still there, sometimes, but not in the way it used to be. I am not saying that there is anything wrong with that, but its stark change from the past.’

Respondent E was not the only interviewee to voice this concern. Respondent B also specifically made reference to this, stating that those who get involve with charities often do so for selfish reasons:

‘Some people perceive volunteering to be work experience that will help them get a job. This is very dangerous and not what the sector needs, in my view. The social goal itself should always be what is on the employee/volunteers mind, not their own career prospects. Though I think I might be in the minority with that view, I have to admit.’
Respondent B worried that many who work within the non-profit sector do not do so to further a social cause. These views tie in to the idea that the non-profit sector is becoming increasingly commercialised. Because the roots of entrepreneurship lie within the for-profit sector, it may appear that this change would suit the presence of social entrepreneurs. However, this view is at odds with some academics, for example, Roberts and Woods (2005) who state: ‘Social entrepreneurship is the construction, evaluation and pursuit of opportunities for transformative social change carried out by visionary, passionately dedicated individuals’. Based on this definition, a social entrepreneur should demonstrate a keen interest in the social cause itself and not merely attempt to serve it for their own financial gain. Continuing this theme, Respondent B went on to say:

‘Non-profits tend to be locally based, involving local people with local objectives. Generally, they are simply looking to benefit people and have the best intentions in mind. The social cause will mean a lot to a volunteer or even an employee. They have a bigger stake in the outcome or output of the organisation. It can mean sacrificing your own personal life goals or expectations e.g. better salary, better working hours etc. From this perspective, I see private sector ideas as being incompatible with the third sector.’

Here, the interviewee makes clear his view that entrepreneurship and the non-profit sector do not fit well together. It is his personal view that an individual working within the sector should be motivated by the social cause and that an entrepreneurial way of thinking is at odds with this. However, Respondent C offered a more positive view on the reasons for getting involved with charities:

‘Though most people probably enter into a job in a field or sector that they find interesting, I think that is not the same as the non-profit sector. Those who set up a charity will, in most cases, have a good reason for doing so i.e. personally effected by a disease or to help people in a similar situation to family members. Even those who work for charities might feel the same way as those who set it up in the first place.’

4.2 The Role of Social Enterprise

In this part, the focus is shifted towards entrepreneurship on an organisation wide level. Much like social entrepreneurship, the term ‘social enterprise’ has been widely debated in academia, with many theories and ideas competing to describe it (cf. Teasdale, 2011). While the debate continues, the phrase is becoming increasingly more common and all of the interviewees were familiar with the term. This allowed for a discussion on the subject to determine what social enterprise meant to each of the respondents. For example, Respondents A and B, in their roles
as charity advisors, are very familiar with the concept of social enterprise. Respondent B discusses how this type of organisation incorporates elements found within both the for-profit and non-profit sectors in a way that traditional charities do not:

‘I don’t think that we can entirely rule out private sector concepts. In fact, a very new type of organisation I am involved with is social enterprise, which borrows heavily from the profit making sector. Although it could be argued that a social enterprise organisation is simply a charity dressed up in entrepreneurial language, I can see a legitimate use of the concepts and practices associated with this type of organisation.’

He described how a social enterprise organisation is, in theory, a non-profit organisation but with some for-profit characteristics. He also alluded to the view that a social enterprise is simply a charity underneath, with entrepreneurial elements tagged on.

Respondent D offered a more cautious endorsement of social enterprise. She stated that entrepreneurial thinking could be beneficial for larger organisations, but perhaps less so for smaller ones:

‘I think it can be useful in certain settings. Though for many organisations, particular smaller ones, it would never in a million years be helpful to try to adopt business practices. We see a lot of organisations without the proper skills in place – no contingency planning in place to save it. There is no one with a financial, legal or HR background that could help with day to day management.

Respondent D’s concern was that many organisations do not have the fundamental knowledge and skills in place to run an organisation. These skills are not entrepreneurial; merely the minimum requirements to ensure an organisation can function day to day. The scope for entrepreneurship is there; however, in her view, it should only be considered when the organisation is in the appropriate place to implement the changes required of it. Respondent C made a similar point, describing larger charities as operating more like for-profit organisations:

‘Larger charities will have a very different structure and mind set, though. Larger organisations have much more in common with their private sector counterparts than smaller charities operating within the sector. Smaller organisations will not typically have people within them who are business minded, perhaps set up by people who have never even worked within the sector.’

She would not expect to find an entrepreneurial attitude in place within smaller charities, but it might exist within larger ones. Respondent C then described a potential disadvantage of appearing to be entrepreneurial in the eyes of the public:

‘The downside of being such a large organisation is the inevitable backlash they receive over certain issues. An example is salaries for their most senior managers.'
Some earn huge salaries which are on par with their private sector equivalents. This often receives negative media publicity, as to some it is seen as a misuse of resources. Nobody likes to think that when they donate £10, a chunk of that is going towards somebody’s pay packet.’

A common criticism levelled against the UK’s largest charities is that those at the top earn too much given the nature of the organisation. Such criticism is much rarer in for-profits, who are already motivated by financial gain. Charities are different, however, as the social cause is, to most, the primary objective of any non-profit. As Dees (1998) and Seelos and Mair (2005) state, the creation of financial value most always come second to social value; it is merely a by-product of the social entrepreneur’s actions. Respondent C also discussed senior management pay:

‘The other side of the argument is that that person is worth their salary because of what they bring. They may have tremendous experience that bumps up revenues by a sum that far exceeds their salary. Their experience might ensure long term sustainability for the charity because they know better what the market conditions will be other the next few years.’

Although senior management may be paid well, what they bring in may be worth more in the long run. Not only that, an organisation run by an individual with experience is more likely to stable; better able to predict and budget for the future. Martin and Osberg (2007) state that the social entrepreneur definition is dependent upon the individual’s success, that social value is created while maintaining long term financial stability. A senior manager who achieves these goals would perhaps earn the right to describe themselves as a social entrepreneur, irrespective of their salary.

4.3 Funding, Sustainability and Entrepreneurship

Perhaps the most important non-profit related issue that entrepreneurship is associated with is funding and its acquirement. There has been much debate on the merits of adopting entrepreneurial thinking in order to raise donations. Subsequently, the final part of the discussion will deal with this directly; asking interviewees whether they believe (or have already witnessed that) the concept can help a non-profit organisation financially. For example, Respondent D stated that the potential for entrepreneurship is dependent upon the funding source of a charity:

‘I think a lot of it depends on what the funding sources are. How business-minded or entrepreneurial people are will be dependent, to some degree, on where they expect the money to be coming from. This is a big reason why smaller organisations
will not care, nor understand business practices. If their funding comes from small donations, they will probably go out and try to get it, not develop a strategy to acquire it. They won’t be sat thinking, ok, we will try to get £10,000 in donations this year and try to up that to at least £10,200 next year to account for inflation and ensure we are sustainable. Small charities do not think like that.’

The funding source of a non-profit has sparked academic debate on its importance in describing social entrepreneurship. One of the biggest criticisms made against the definition provided by Dees (1998) came from Borschee and McClurg (2003), who took issue with his omission of income source. Although the creation of social value would be enough to describe a person or organisation as innovative, it would not be enough to term them entrepreneurial. Their definition requires an organisation to be ‘sustainable or self-sufficient’ (Borschee and McClurg, 2003, p.3). A traditional entrepreneur would expected to ensure his organisation is sustainable, therefore, this same expectation should be made of a social entrepreneur. This criteria would rule out a large of number of non-profit organisations within Scotland who are dependent upon, for example, grants. They would not be generating a source of income that can be relied upon beyond the immediate future. Similarly, as Respondent D describes, attempting to acquire donations is not necessarily a strategy implemented by the non-profit; it is their best bet at obtaining income. They will not know how much income will actually be collected and, therefore, cannot plan ahead effectively. Based on the definition provided by Borschee and McClurg (2003), the vast majority of smaller charities are instantly excluded from the social entrepreneurship label (Galera and Borzaga, 2009).

However, as discussed earlier, Dees (2003) responded to this criticism by stating that a fixation on income (i.e. inputs) is a flawed way of thinking. It is his view that when assessing the relevance of the social entrepreneurship label, the focus should always been on achievements (i.e. outputs/outcomes); that the income source is irrelevant. Therefore, taken definition provided by Dees (1998, 2003), a small non-profit could still be entitled to describe themselves as entrepreneurial (provided own criteria is satisfied). Despite this, Respondent D expressed doubts over the relevance of social entrepreneurship for smaller charities, viewing the income source to be too important.

Although she could not see smaller charities having an entrepreneurial mind-set, Respondent D thought differently about their larger counterparts:

‘Larger ones probably do. Some will be thinking, well, we managed £100m in donations and funding this year, so next year we will need £102m to ‘break even’ on inflation. The year after that we might need £104m. That sort of long term thinking is essential for large organisations, irrespective of their stated purpose.’
Here, the interviewee describes how larger non-profits try to consider the wider economic picture and the impact on their organisation. They will look at external factors, beyond their control, in order to see where they fit into the sector as a whole.

Respondent A described a recent development in the way his support organisation operates. Recently, there had been a drive towards encouraging charities to consider their funding sources and long term stability:

‘We have a team of people who go out to organisations to help brainstorm ideas that might help with a variety of issues including funding. Business Gateway can also help with this too. We try to encourage sustainable behaviour and make them think about the future. What is their long term plan? Do they know where they will be in one year, three years or five years’ time? Do they have a contingency plan if their primary funding source runs dry? What will be the impact if they suffer a significant drop in funding? What would be the impact if they disappeared altogether? All charities have to think about these questions and be prepared for the worst case scenario.’

Although the definition of social entrepreneurship provided by Dees (1998) does not consider income source and sustainability relevant, support organisation’s like Respondent A’s seek to raise awareness amongst smaller charities of its importance in achieving their social cause. Therefore, his organisation had stepped up their efforts in providing the necessary skills and knowledge to survive in the long term. This effort incorporated elements of social entrepreneurship:

‘There is a social enterprise drive at the moment i.e. ways to make organisations more sustainable and think about funding e.g. a local community café running as a social enterprise. It pays an individual to run it and reinvests the surplus. In the current financial climate, it is not enough to have a worthy cause, you do need to think about how you will fund it. Not just today, or in a few months, but in the long term i.e. years. I think that is one reason while the idea of social enterprise has become so popular. The idea of an entirely sustainable organisation, that still provides ‘free’ services, is appealing. Few exist at the moment, but we are seeing people increasingly drawn to the concept.’

Respondent A discussed how the rising awareness of social enterprise is making the concept more popular. Financial sustainability is more commonly a goal to aim for. This has been in part driven by a shift away from grants towards more sustainable income sources (Goeke, 2003; Pearce, 2003).

Respondent E took a more negative attitude towards the incorporation of business practices within the non-profit sector, fearing it undermines what these organisations stand for:
‘In the old days, charities were quite value driven. There was a sense of it being a joint project. There was a strong internal ethos. For example, Christian Aid had a condition that top level pay would never be above a certain ratio towards pay at the bottom. I think it was something like 3 to 1. This was designed to ensure that inequality was not a major issue within Christian Aid.’

During her time at Christian Aid, she witnessed the ongoing, gradual transformation of the charity:

‘Over time, as an organisation grows it becomes more professional. I think this is unavoidable, perhaps even essential. Put simply, you can do more stuff when you grow. To do this will inevitably require more administration and bureaucracy. Christian Aid, for example, started out in the 1940s helping refugees during the Second World War. Now, it is a £100m (income) per year global brand with a well-paid senior management team. It is essential for them, like any other organisation, to attract good staff and pay them the market rate or better. As organisations get bigger, they become less radical in their approach and perhaps increasingly similar to each other.’

It was the charity’s drive for growth that, in her view, risked the organisation forgetting its modest origins:

‘Christian Aid, not too long ago, decided to rapidly expand their operations. The thinking was that through growth, more could be achieved on a larger scale. A lot of staff however opposed this, thinking it would risk jeopardising what they were already doing, that expanding too quickly would damage what they are achieving so far. Rapid expansion also brings with it real world headaches; legal, funding and marketing issues that might not be apparent on a much smaller scale. For example, Christian Aid now have a large marketing team in place to help maintain the established ‘brand’. In the past, the charity was a bit rough around the edges with that sort of thing, but that was part of the charm. A charity shouldn’t look too perfect, they aren’t supposed to impress anyone with their offices or luxuries. That’s for the private sector to do, not charities.’

The interviewee disagreed with the idea of a charity behaving like a for-profit organisation. A common definition provided for both social entrepreneurship and social enterprise is that an individual or an organisation will seek to incorporate business practices within a not-for-profit context (Roberts and Woods, 2005). It would appear that Respondent E did not see the value in adopting such an approach.

One area that distinguishes social enterprises from other types of non-profit organisations is their approach towards advertisement and marketing. A social enterprise organisation will typically take a much more proactive approach towards this when compared with traditional charities. Respondent C described how important this is for larger non-profits:
‘For example, they would have a marketing department and spend large amounts of resources ensuring that the charity ‘brand’ is always there, or to instigate a new drive for donations. This would be unthinkable within a smaller charity. But for a large organisation it would be fundamental, and without it revenues i.e. donations would probably be much, much lower. But smaller organisations are very different, therefore requiring a different approach.’

Due to his role as a funding advisor, Respondent B also discussed this subject at length:

‘In the private sector, it is important for organisations to advertise effectively in order to establish their brand. They have to prove themselves to customers, and then maintain that trust and expectation. The third sector is no different. If an organisation wants to be funded, they have to demonstrate that they are worth funding in the first place. For some, this will be very difficult, and sadly not all organisations in the third sector are effective at marketing themselves. In particular smaller organisations will struggle with this, whereas larger organisations might behave like large private sector firms. They might even have a marketing team in place to appeal to potential donors. But that would be unrealistic for most local based charities.’

Here the respondent states his view that some non-profits behave more like for-profit firms in the way they approach funding and marketing. He then discussed how a non-profit can incorporate advertisement in order to become a social enterprise:

‘Social enterprise type organisations have proven to be very entrepreneurial. There is some evidence that they are highly successful when it comes to being entrepreneurial. I think a particular example is their use of websites as a means of promotion. Some social enterprises are very good at advertising their social cause to the general public or funders through their websites, which are well designed; brightly coloured and easy to navigate. A lot of typical, traditional charities have websites that are poorly laid out, with limited information, or they do not have one at all.’

Although Respondent B voiced his reservations about adopting private sector practices in non-profit organisations, here he views the concept of social enterprise as being a potential benefit to the sector. Through effective marketing, a non-profit can draw attention to their social cause and the work they do. The approach described by the interviewee would incorporate a range of skills; strategising, marketing and web development. These skills might not even be considered by most traditional charities, let alone implemented by them.

Respondent B, referencing his role as a funding advisor, discussed how entrepreneurship can be helpful for planning for the future. However, he was less convinced that it can be helpful for smaller organisations seeking smaller funding:

‘It really depends on the type of grant, donation or contract that is sought. For a smaller grant, it might not be worthwhile to adopt such practices. And been a good
Here, the interviewee points out that the smaller the funding target, the less relevant entrepreneurship becomes. Furthermore, he also makes reference to the criticism that only the best marketers will get funding if the social enterprise model is more widely adopted. Polonsky (2003) makes this point, arguing that more worthy causes may be overlooked. The concern is that social enterprise is more suited to a free market context, where the more successful ideas thrive and others fail. The non-profit sector is not the same; social causes that require the most funding (a difficult fact to determine its own right) will not automatically receive the largest share without some sort of intervention. Polonsky (2003) discusses the fact that children charities are easier to ‘market’ than most others, particularly those that effect the elderly. Much in the same governments redistribute money where it is needed, the non-profit sector seeks to ensure that market failure does not prevent the appropriate funding being in place for social causes. However, a sector primarily consisting of social enterprise type organisations risks just that; a situation where funding is dependent upon management’s ability to advertise. Respondent B was concerned this might happen within his local jurisdiction.

Despite this apprehension, he saw the potential for social enterprise when more significant grants were sought:

‘However, for a large, long term donation, perhaps stretching over years’ and worth tens of thousands or more, things are very different. An example might be a lottery grant, lasting three years, worth £100,000. Acquiring funding on this level requires a lot of planning and effort. The organisation will need to put together something that resembles a business plan which might be used to obtain a loan from a bank.’

Respondent B states that acquiring substantial, long-term funding requires tremendous effort from the organisation. This effort will, in effect resemble that of a business plan conducted by a firm seeking a loan to fund expansion. Irrespective of whether the non-profit considers itself to be entrepreneurial, planning would be essential to ensure such an opportunity is utilised. The interviewee discussed this planning in greater detail:

‘The organisation needs to prove that it can use the money effectively. To do this, it would provide a detailed spending analysis over the time period that the money is provided for. This might require good presentation skills to sell the ‘pitch’. The organisation will also need to prove it is sustainable, not just over the life of the funding, but beyond it, showing that it will survive after the funding is over. Spreadsheets will be created showing different scenarios under different conditions e.g. anything that might cause a spike in spending or the wider, national economic picture.’
Non-profits need to prove that they can provide value for money, requiring them to demonstrate careful planning to potential donors. Respondent B described how this will involve the organisation proving it has an answer to anything that could happen during the funding period (and possibly even beyond it). This will mean considering not only internal issues but also external factors beyond the organisation’s control such as the economic outlook. Donors will assess the charity’s response to sudden changes in the economic environment. The interviewee was not the only to discuss the importance of planning for the future, with Respondent C also describing it too. Here, she discusses the impact and importance of large non-profits, in contrast to smaller organisations:

‘They must plan for the future and have detailed breakdowns of expected revenues and costs. They cannot simply cross their fingers and hope for the best. Not only do they help beneficiaries, but a large number of people will depend on them for employment. If they were to disappear overnight, that would be hundreds (even thousands) of lost jobs for the local community or across the country. If a smaller organisation failed, the impact would not be so far reaching. So larger organisations will always have people working for it that are business minded, almost certainly with experience within the private sector.’

Respondent C made the case that larger organisations almost have a moral imperative to plan ahead and perform well. Thousands of lives may be dependent upon a non-profit existing, let alone succeeding in achieving its social cause. As well as direct beneficiaries, employees and the local community would suffer were the non-profit to disappear overnight. Therefore, in order to maintain their legitimacy, management have a moral and ethical commitment towards not only towards achieving their social purpose, but to ensure the organisation is sustainable in the long term for benefit of other, less direct stakeholders. Certain skills are subsequently required to ensure that this long-term future is secured:

‘Financial skills are necessary to run a large organisation efficiently and effectively. As the regulator of Scottish charities, we would expect them to have budgets and plans in place for the foreseeable future. Though this is not something that is regulated, it is nonetheless important for sustainability.’

Although this sort of planning is quite typical in larger organisations, Respondent D expressed her concern that smaller charities do not consider the future enough. While other interviewees acknowledge this point, but are not necessarily worried, Respondent D feared smaller charities will suffer if they do not address their immediate and long term future place in the sector:

‘They are not ‘wired in’. I don’t think most organisations see beyond the next few weeks or months. They assume or hope that things will be ok and it will work out. Sustainability is not a concept that they are familiar with. This is of course very different for larger organisations. They will typically have budgets in place lasting
for the next few years, because they understand that sustainability is important. They have to have this planning in place and spend resources on it. We would be surprised or shocked if they did not.

OSCR have an expectation of larger charities to demonstrate they are planning for the future, showing where their organisation will be in several years’ time. However, they do not see smaller charities (nor necessarily expect them to be) making this sort of preparation.

5. Conclusion

Entrepreneurs are defined by their tendency to act innovatively, seeking new opportunities or gaps in the market, taking risks and using their ability to adapt and learn in order to exploit these market niches. They are characterised by a talent for taking bold actions and have a gift for predicting change in order to create value. Arguably, these characteristics are be useful to social enterprises, who also seek to identify a niche opportunity, or a social needs gap, and who try to fill this gap by innovative and proactive behaviour. Here, we have considered entrepreneurship within the third sector, in two respects; both at an individual and an organisation-wide level. The former relates to how things are done, at an individual level; the latter relates to what is done, in terms of the social need being addressed.

We find agreement between two of our Respondents (A and B) that entrepreneurial orientation is a useful concept in third sector social enterprises, if applied effectively; both saw its potential for application to a social enterprise, with a particular area of interest being the raising of funds. Respondent B, in particular, showed enthusiasm for the use of social entrepreneurship to generate increased donations and obtain grants. For example, an ambitious strategy incorporating a range of skills to obtain a long term funding opportunity was seen to be a good context for entrepreneurial thinking. Its potential to encourage a sustainable attitude amongst non-profits was also a reason mentioned for adopting an entrepreneurial attitude.

Concern was expressed by some respondents that entrepreneurship could only ever be useful for larger social enterprises, and that it would be a difficult concept to ‘sell’ to traditional charities, for example. Whilst larger non-profits might benefit, the potential for smaller organisations was thought to be somewhat limited. For example, one respondent did not see it being useful for smaller funding sources; however, that is to misunderstand the nature of entrepreneurship. Concerns were also raised that it would risk commercialising the sector too much, resulting in only the best marketers receiving the funding they need and reducing the focus on the social cause. These concerns are perhaps unjustified and overly cautious, given
the nature of a small social enterprise. The similarities to traditional entrepreneurial ventures suggest that the third sector might have much to learn from the entrepreneurial private sector. Both forms of organisation seek to identify and fill a niche in the market; both struggle to attract funding; and both need to act innovatively and boldly, in order to sustain their business. Neither public nor private sector enterprises can continue in a state of inertia; proactive contingency planning and marketing skills are required, whatever the nature of the venture.

While a number of issues were raised during this research process, the importance of attracting funding was raised repeatedly by respondents. Though most were in agreement that the social cause should always be where the focus of the non-profit lies, this is inevitably linked to funding contributions, irrespective of the source. There appears to be a strong connection with funding and a non-profit’s ability to report effectively and transparently. If social enterprises can harness the skills inherent in the entrepreneurial elite, then there is scope for the application of these skills in the third sector, especially as they relate to raising funds. Currently, evidence from our respondents suggests an unwillingness to promote entrepreneurial behaviour, perhaps because it is seen to be too risky, or entrepreneurs are deemed to be slightly untrustworthy; and that to encourage such behaviour would detract from the social mission, thereby reducing the legitimacy of the enterprise, from the donors’ standpoint. We suggest, therefore, that Government and policy makers reconsider their stance, and seek to embrace and promote entrepreneurial characteristics, in order to enhance the social enterprise experience and improve the skills of social entrepreneurs. Further empirical evidence that this is indeed appropriate will strengthen this recommendation, and is the focus of on-going and future empirical work.

References


Dees, J. G., 1998. The meaning of “social entrepreneurship”.


