

**The Incubator for Social Entrepreneurship:
Creating Partnerships for Second Order Social Change**

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Abstract

This paper investigates the process of promoting social entrepreneurship through a case study of the "Incubator for Social Entrepreneurship," a partnership of Israeli NGO's, government agencies, and private individuals. From the beginning of operations in February 1998 until June 2000, the Incubator processed 92 proposals, accept nine entrepreneurs, and bring one project to the stage of implementation. Although the Incubator enjoyed a broad basis of public support and the enthusiastic participation of representatives of partner agencies, this paper claims that the Incubator faced a crisis of sustainability. This paper represents an interim stage in an on-going process of formative action evaluation which describes the history of the incubator and then attempt to explain the current predicament of the Incubator by analyzing the Incubator's central mission and task, its organizational structure, and the nature of the partnership. It will argue that the Incubator was not able to leverage the resources of its partner agencies because, as form of second order change, it is not perceived as meeting well-defined, immediate needs and because it may have been co-opted in order to minimize its threat to the existing system. Finally the paper will end by suggesting a series of possible strategies for enhancing the Incubator's sustainability.

This paper investigates partnerships as the basis for promoting social entrepreneurship, a form of second order social change, through a case study of the "Incubator for Social Entrepreneurship." The Incubator was established in 1997 by a partnership of Israeli NGO's, government agencies, and private individuals in order to help and support social entrepreneurs bring their ideas to fruition. From its establishment until May 2001, the Incubator reviewed 92 proposals, accepted nine entrepreneurs, and brought one project to the implementation stage. The Incubator functioned as "non-corporate entity", minimizing overhead and infrastructure, and mobilizing the personal commitment and involvement of representatives of the partner agencies. Nevertheless, this study shows that, at the time of writing, the Incubator faced a serious potential crisis of sustainability because it had not yet mobilized the organizational, financial, and human resources necessary for carrying out its central tasks.

The paper will begin with a brief description of the history and functioning of the Incubator. It will then analyze the incubator's theory of action comparing key aspects of its "espoused theory" with its "theory-in-use" as inferred from actual performance (Argyris & Schon, 1974). This analysis will focus on the following questions: (1) What was the central task of the incubator as originally conceived and how did this task evolve in practice? (2) In what ways were the organizational arrangements developed to support the incubator's central task proven adequate or inadequate? and (3) In what ways did the partnership provide, or fail to provide, the resources, support, and authority for the incubator to function effectively. The paper will end with a series of questions for guiding further inquiry and experimentation in promoting social entrepreneurship.

A methodological note

The research method for this study is "action evaluation" (Friedman 2000, Rothman 1999) a means for integrating knowledge production (theory building) into the design, implementation, and assessment of social-educational programs. Action evaluation regards programs and evaluation research as social experimentation (Schon, Drake, & Miller, 1984) , using concepts from conflict resolution (Rothman, 1997) and action

science (Argyris, Putnam, & Smith, 1985). Action evaluation attempts to create a community of inquiry within a community of practice (Friedman 2000a) by involving the “subjects” as much as possible in the process of designing the research and interpreting the results as well as in the planning and implementation of change.

Prior to conducting the actual research, I surveyed all the members of the Steering Committee regarding the goals of the research, the questions of interest, the role of the researchers, and the method itself. On the basis of this information I created a research proposal, which was discussed and authorized by the Steering Committee. The data for this study was drawn from documentary evidence, in-depth interviews with members of the Incubator’s Steering Committee, in-depth interviews with a sample of entrepreneurs who have been involved in the Incubator, and participant-observation in meetings.

The initial analysis of the data was tested with the participants (not including the entrepreneurs as of yet) at a meeting of the Steering Committee on June 6, 2000. The participants in the study were asked to comment on both factual errors and the validity of the interpretations of data. The original version of this paper, which was presented at the ISTR Annual Conference in Dublin in July 2000 was based on that process of data collection, analysis and public testing. This paper was also submitted to the participants and was discussed at two four-hour meetings on July 18, 2000 and August 22, 2000. At the first meeting, and in individual discussions with participants, the central argument of this paper was confirmed but also number of factual and interpretive revisions were suggested and included in this version. The second meeting began a process of redesign, which is still in process and will affect the Incubator’s institutional basis, structure, and operating procedures.

The Incubator for Social Entrepreneurship

In the mid-1990's Moshe Sharir, then the Director of Special Projects at the Joint Distribution Committee (JDC)- Israel (a non-governmental social service organization), identified what he considered to be a serious gap in the institutional network of the social services:

The social sector lacks the kind of institutionalized support mechanisms (such as venture capital funds, industrial parks, entrepreneurship incubators, entrepreneurship support centers) which are now common in the business sector for supporting and aiding entrepreneurs in every aspect of developing and implementing new ventures.¹ Sharir proposed that the JDC set up an "incubator" for social entrepreneurship that would provide individual entrepreneurs with a "supportive environment" for developing their ideas, bringing them to fruition, and implementing them either within existing frameworks or as new organizations.² The incubator would be drawn on the model of technological incubators, but would be adapted specifically to the special characteristics of the social sector.³ The success of the incubator would be assessed by its ability to generate initiatives that "improve the quality of services, improve efficiency, add value to existing services, and prove long term viability"⁴.

The JDC was receptive to the idea of creating an incubator, but it was not prepared to undertake such a venture alone. Indeed, Sharir and his colleagues at the JDC agreed that the incubator for social entrepreneurship needed to be established on the basis of partnership among government agencies, NGO's, educational institutions, businesses, and private citizens. The logic was that the existing institutional network and the social-economic environment are rich in untapped resources - such as knowledge, information, expertise, infrastructure, and budgets - which could be leveraged and utilized for promoting innovation.

Sharir presented the idea of the incubator to a wide range of organizations and individuals until a coalition of founding partners emerged in July 1997.⁵ The founding institutions included (in the order stated on the Incubator's logo): Civil Service Commission, Ministry of Labor and Welfare, the Ministry of Education, JDC-Israel, the Haim Zippori Community Education Center, the Israel Community Center Corporation, the National Social Security Administration, and the Efal Seminar. Within the founding

¹ Founding Document, 16/12/96, pp. 2

² Ibid.

³ Technological Incubators and Incubators for Social Entrepreneurship: A Comparison, Sharir, 12/1996)

⁴ Founding Document, 16/12/96, p.4

⁵ The Incubator for Social Entrepreneurship: Principles of Association among the Founding Partners. Founding Document, July 1997)

group there were two unaffiliated individuals: Sharir, who by then had left the JDC, and a prominent member of the business community.

Although the terms of the association among the founding partners was explicated in detail in a number of detailed, formal documents⁶, the incubator was not founded as a distinct legal entity. Rather the founders accepted the suggestion of the director of the Zippori Center, that the incubator function as a network so as to minimize additional infrastructure, keep responsibility on the founding institutions, and avoid creating another political player competing for scarce resources.

The central organizational mechanism for the Incubator was a Steering Committee composed of at least one member from each of the founding institutions. The Steering Committee had sole decision-making power over both policy and the selection of entrepreneurs. Sharir was appointed Chairman but possessed with no special authority in making decisions, which were to be arrived at by consensus. The original plan was for each founding member to contribute approximately \$3000 to cover the initial costs of administration, publicity, and operations, but only the JDC and the Zippori Center provided initial operational funding. The other founders, however, promised "to mobilize resources for entrepreneurial projects and the Incubator's administration".⁷ Zippori Center assumed initial responsibility for providing an administrative infrastructure, with the understanding that this responsibility would rotate among the founding partners every few years.

In February 1998 the Incubator published its first call for proposals in Israel's most popular daily paper as well as a wide variety of governmental and academic communication organs. Inquiries were "screened" according to process outlined in the founding documents⁸ and answered with an information packet explaining the requirements for writing a formal proposal. These proposals were then evaluated by both members of the Incubator and occasionally by outside experts. Entrepreneurs that passed this initial screening were interviewed and asked to make a presentation to members of the Steering Committee. According to the founding documents, the entrepreneur was to

⁶ Ibid.

⁷ Ibid.

⁸ Founding Document, May 1998, pp 8-10

be accepted into the incubator only when a formal "contract of association" was established between the entrepreneur and an adopting institution.

This selection process demanded a great deal of time, so a "screening committee" was set up to refine the proposals and bring them to the Steering Committee for final decisions. Of the fourteen members of the Steering Committee, seven took very active roles in the Screening Committee and two others played important roles as gatekeepers to adopting institutions. The demands of screening also overwhelmed the Incubator's self-administrative capacity, so in March 1999 a coordinator was hired at 75% time.

As they worked with these proposals and the entrepreneurs, members of the Screening Committee discovered that the pre-stated criteria for evaluating proposals (e.g. "innovativeness") was quite ambiguous, requiring extensive discussion and thought before becoming operational. They also found written documentation and correspondence to be inadequate and invested a great deal of time in talking to entrepreneurs both on the telephone and face to face. Many of the Screening Committee members defined their work as "dialogue" or "listening" rather than judging; they wanted to encourage and in some way assist *every* entrepreneur who entered the screening process, whether or not the person was accepted into the Incubator.

Matching entrepreneurs with adopting institutions was much more difficult than anticipated - both in terms of locating an adopting institution and obtaining the right conditions for the entrepreneur. As the first coordinator put it, "we often find ourselves running around in circles with a good idea but not knowing how to move forward with it." Thus, the Incubator established a second "track" which enabled it to accept entrepreneurs and to provide services before a formal relationship with an adopting institution had been consummated.⁹ In addition the Incubator held two topical "round tables" which brought together entrepreneurs from similar areas together with relevant experts, activists, and organizational representatives. The objective of the round tables was to create dialogue and to expose the entrepreneurs to each others ideas and to potential partners.

⁹ Protocol, Steering Committee, 27.9.98

As of June 15, 2000 the Incubator had received approximately 800 inquiries, out of which 92 formal proposals were submitted. Nine proposals have been accepted: four on the "Adopting Institution" track and five on the "Incubator Services" track. So far only one initiative has been fully adopted, obtained program funding, and been implemented as a pilot project by a division of the JDC-Israel in conjunction with the Ministry of Labor and Welfare. One initiative is in the initial stages of development with the Community Centers Corporation. The development of two adopted projects was inhibited by problems within the adopting institution. Forty-seven proposals have either been rejected or formally terminated by the entrepreneur. Twenty-six initiatives are still being processed.

It was estimated that the Incubator would accept 3-5 entrepreneurs within its first year and ten per year by its third year of operation.¹⁰ According to this estimation, the Incubator appears to be more or less on schedule, if both tracks are taken into account. All of the Founding Documents explicitly related to the problem of evaluating the Incubator and suggested the following criteria for determining success:

- Locating and identifying new ideas that can contribute to improving the quality of the activities of a given social system.
- Locating people with ideas and abilities, who were ready to invest the effort, resources, and personal commitment in order to realize (their ideas).
- Integrating the entrepreneurs into existing social frameworks. Preference will be given to integrating initiatives in existing systems rather than in creating new ones.
- Creating structural flexibility that will enable different parties to further their goals by investing in the Incubator framework.
- Extent and quality to which new initiatives have actually been implemented.¹¹

The Incubator has made some progress in all categories except for the last criteria. Some members of the Steering Committee interpreted these results considerable achievements. Others were more skeptical or uncertain about how to make such a judgement because of the lack of formal tools for evaluating this progress and the lack of existing norms for

¹⁰ Founding Document, July 1997, p. 1

¹¹ Founding Document, May 1998

comparison. Furthermore, it was pointed out that any objective evaluation of the Incubator's effectiveness needed to be based on a cost-benefit analysis.

Of the eight entrepreneurs interviewed for this study (see Appendix 1), four of them stressed the importance of the legitimacy, organizational support, and/or access which would never have been available to them without the Incubator. One entrepreneur expressed regret at having established contact with the Incubator because she felt that she had not been taken seriously. On the other hand, an entrepreneur whose proposal was rejected said that the Incubator helped her understand that she was not yet ready to put her ideas into practice. All the interviewees, except for one, cited the very positive and timely way in which they were treated.

Despite the progress made so far, Incubator faced some serious challenges to its survival. The twenty-six proposals still in the screening process represented a major bottleneck caused by the gap between the demands of processing and the resources available for meeting them. The intensive screening process required a large investment of time and energy on each applicant and establishing a relationship with an adopting institution turned out to be much more complex, difficult, and drawn out than originally anticipated. Finally, the infrequent and sparsely attended meetings of the Steering Committee left many operational and strategic issues undiscussed and/or undecided.

There were also signs of a burnout even among the Screening Committee members who had willingly, even enthusiastically, given of their time so far. One member expressed the situation as follows:

There is no more "excitement." The work has become very routine. I am concerned with how to generate processes that generate innovation, but so far (the proposals submitted to the Incubator) have not delivered that...

While other members were still optimistic, even enthusiastic about the Incubator, almost all of them mentioned limits to the amount of time and effort they could continue to invest. In practice the burden for doing most of the work has gradually shifted to the Coordinator, who was the only paid staff of the Incubator. However, she lacked both the content knowledge and clout to make judgements and influence adopting institutions.

Furthermore, she was overwhelmed with operational tasks and has little time for her strategic, capacity building functions.

These problems were exacerbated by the Incubator's failure to raise additional funds. By mid-June it had already committed its entire budget for the year 2000 and could not accept new proposals nor offer additional services to initiatives that have been accepted so far. None of the founding institutions except for the JDC-Israel carried through on the promise to mobilize additional funding. The Chairman was attempting to strengthen the Incubator by involving new partners and new participants in the two committees. While a number of institution expressed interest in and support, none committed resources of any kind. He also approached seven philanthropic foundations, but not one expressed a willingness to consider funding for the Incubator itself. Sporadic attempts to obtain support from the private sector all came up empty.

The major founding partners of the Incubator were still on board, but there were significant asymmetries in the level of commitment at the institutional level. The organization, funding, and development of the Incubator fell primarily on the Zippori Center, JDC-Israel, and the Chairman respectively. On an institutional level, the government ministries and public agencies demonstrated benign indifference, not doing anything to either inhibit the Incubator or to push it along. When the Incubator had been established, it was assumed that every few years a different member institution would take responsibility for providing the organizational infrastructure. Thus, it was not clear whether the Zippori Center would continue to play that or role or whether another organization wanted to take it on. The JDC-Israel's commitment appeared firm, but its representatives were not involved in the incubator's daily. It was also unclear whether the founding Chairman (Sharir), who was portrayed by all the other partners as the "driving force" behind the Incubator, could or should continue to play this role, which demanded a considerable personal investment of time, energy, and finances.

Case analysis

The foregoing case study raises serious questions about the ability of the Incubator for Social Entrepreneurship to sustain itself within the social service network in Israel. This lack of sustainability, however, is puzzling. After all, the Incubator was a broad-based partnership of powerful institutions which functioned effectively and made progress towards its stated goals while absorbing minimal resources.¹² Furthermore, it met almost all of "keys to success" specified in a paper on public sector-NGO partnerships (see Appendix 2) (Ekosoc, 1998). The real question, however, is what accounted for the failure of the partners, especially the governmental institutions, to fully carry out their commitments?

The Incubator as "matchmaker". In order to understand the problem of commitment it is important to understand the nature of the partnership as the supporting framework for both a task system and an organizational structure. The partners expressed consensus that the Incubator's goal was to improve, renew, and change existing social services by encouraging social entrepreneurship. The founding documents clearly reflected the assumption that the central task, consistent with the "incubator" metaphor, was to identify individuals with innovative ideas and to provide them with an protected, resource-rich environment in which they can develop until they are ready for implementation in the existing system.

Although based on the model of technological incubators, the Incubator for Social Entrepreneurship faced problems unique to the social sector. One central problem was obtaining resources - financial, information, knowledge, organizational, technological, etc. - for supporting the entrepreneurs during the development stage and for funding the projects themselves. The Chairman, for example, originally envisioned pooling resources from a variety of "investors" (e.g. government agencies, non-profits, voluntary organizations, business, foundations) who would utilize the Incubator as an external research and development unit. Furthermore, entrepreneurs who successfully established their own organizations would be expected to ultimately pay back the Incubator for its

¹² This statement is not based on a formal cost-estimate evaluation. However, at the meeting of August 22, 2000, one of the members pointed out that, relative to other programs, the Incubator is extremely cost effective. No one challenged this judgement.

investment. According to this model, the Incubator would control, or at least have access, to a pool of resources from multiple sources and administer them in ways suited to the needs of the individual entrepreneurs and the nature of their ideas.

Obtaining this kind of liquid operating "capital", however, was extremely difficult. As the partnership emerged, it became clear that the partner institutions, especially those in the public sector, were reluctant to contribute money. A Steering Committee member from one of the government ministries put it this way:

...Each time the issue (of contributing "venture capital") arose, but none of the General Directors (of government ministries) picked up on it. The government is not built for "venture capital". The role of the bureaucracy is to make sure that no one steals money, so the idea of putting up money for "risk" just didn't catch on. And none of the Directors wanted to be the only one to contribute.

The strategy for getting around this obstacle was to emphasize the necessity of finding "adopting institutions" from among the founding partners or other organizations. These institutions, together with the Incubator, would provide which the entrepreneurs with an "adoption basket" and an "activity basket" (physical, financial, and organizational conditions and resources) necessary for developing and implementing their ideas (Founding Document, May 1998, p. 7). Thus, resources would be channeled to the entrepreneurs while remaining within the control of the adopting institution.

The gradual emergence of the adopting institution as the heart of the Incubator's strategy was reflected in the series of founding documents.¹³ It tied the Incubator closely to meeting the needs of government and public sector institutions, which was also more consistent with the JDC-Israel's mission than a strategy of fostering new organizations. While it was hoped that this strategy would leverage resources from these institutions, there was also ambivalence about allowing them to shape the Incubator's agenda:

The essence of adopting an entrepreneur in an adopting institution is that the institution constitutes a genuine incubator for the entrepreneur. In this sense the adopting institution does not profit in any way from adopting the entrepreneur and in particular the entrepreneur does not serve the existing work plan of the adopting

¹³ Founding Documents, December 1996, July 1997, May 1998

institutions (underline in original text). This issue is first and foremost intended to serve the idea of the Incubator, which is meant to serve ideas that do not yet exist in the work plan of the various institutions...¹⁴

Thus, the adopting institutions were themselves to become incubators and, at least in the short-run, the Incubator's role would be to make the match and to ensure that the proper conditions were created to make it work.

This fundamental shift in the Incubator's strategy influenced the task itself, as expressed by one of the Steering Committee members as follows:

I act as 'matchmaker' in my Ministry. And definitely part of my role is to tell the bride (i.e. the entrepreneur) how to dress...My job is to shape the interface between the entrepreneur and the adopting unit.

According to the Chairman, the Incubator needed to develop expertise in "nurturing the initiatives that are not yet ready for adoption...and to invest resources in them in order to bring them to the point where potential adopting institutions can decide whether they want to take them on."¹⁵ Another member, however, pointed out that the Incubator did not possess the expertise to nurture initiatives from so many different areas and that it should limit itself to setting policy and putting entrepreneurs in contact with experts.

The matchmaking role proved much more difficult and complex than originally anticipated, as indicated by the following quotation from the program plan for 2000:

Adoption of an initiative in the Incubator is not a one-time event. It requires negotiation and discussion with the entrepreneur and the adopting institution, especially when it involves more than one institution or an attempt to form a coalition of a number of bodies...Adoption involves professional development of the initiative itself and on-going involvement of Incubator representatives. There is a need to develop policies for formalizing the adoption process and setting up teams to oversee this process.¹⁶

Another Steering Committee (not the same as above) provided a view of this process from within her institution:

¹⁴ Founding Document, May 1998, p. 7

¹⁵ Steering Committee Protocol, 27.9.98, p.2

¹⁶ WorkPlan and Budget Proposal for 2000, 7.11.99, p. 2

The work with the initiatives with the Ministry is very difficult. It's a very long process and serious work. A tremendous investment of time and energy. I've received three proposals so far. Each one demands work from the bottom up. And it's difficult because there is no awareness within the Ministry how to deal with entrepreneurs.

As this quotation indicates, the matchmaking task was not simply one of search. It required a mutual of shaping ("co-evolution") of three elements: entrepreneur, idea, and institutions. This process required intensive involvement of the Incubator, but, despite the call for formal policies, most of the work continued on an ad hoc basis.

This mutual shaping process also involved many potential conflicts. In some cases an entrepreneurial idea which appealed to the Incubator went against the policies of the potential adopting institution (Steering Committee Protocol, 27.9.98). In addition there was a natural tension between the entrepreneur's desire to preserve and maintain control over the idea and the institution's desire to adapt it to its agenda and norms. Thus, the matching process placed the representatives of the institution in a tricky position. They were not sure how hard to "sell" an idea and associate themselves with its success or failure. Furthermore, they found themselves in a dilemma over "who's the client?" dilemma. When a conflict arises, were they to advocate and lobby for the entrepreneur, expending their own political capital and taking the risk of becoming embroiled with conflicts within their own organization? Or were they to take the side of their organization, pressuring the entrepreneur to compromise and adapt?

Finally there is a great deal of ambiguity regarding the point at which the Incubator terminates its role. According to another founding document,¹⁷ a committee should be appointed to monitor each accepted entrepreneur, ensuring that that the terms of the adoption agreement are being met and that the entrepreneur is allowed to act. In the case of the one entrepreneur who has been successfully adopted, this committee never met for over a year. Contact was maintained by the Coordinator's participation in meetings involving the project. The entrepreneur said that she needed the Incubator's backing in order to counteract the natural desire of the adopting institution to "swallow up" the

¹⁷ Founding Document, May 1998

project. However, the Incubator's attempt to intervene created "unnecessary tension" with the adopting institution.¹⁸

A quasi-volunteer organization. An important part of the experimental nature of the Incubator was the attempt not to form a separate legal entity that would soak up resources in infrastructure and take responsibility away from the partners. The hope was that the partners would do the work of screening and managing the interface with adopting institutions. The Coordinator would oversee the process, handle publicity and correspondence with applicants, and maintain communications among the partners.

This simple structure was based on a relatively formal and linear conception of the task of screening, placement, and providing resources. In the founding documents, there was an emphasis on written correspondence and predetermined decision-making points. In practice, however, matchmaking - which involved shaping the entrepreneur, the idea, and the institutions - evolved as an intensive, complex, iterative, and highly personal process.

At first the Incubator's simple structure seemed well suited to the task of matchmaking. About half the Steering Committee began intensely involved in the screening/adoption process and there was a high degree of enthusiasm and *esprit d'corps*. The Chairman too served the Incubator on a purely volunteer basis, receiving no compensation even for expenses. He not only donated many hours to the screening process but also took major responsibility for the organizational and strategic development of the Incubator (fundraising, expanding the partnership). The main problem was that the complexity quickly outstripped the 20%-time position allocated for Coordination. About a year after the beginning of operations, the Incubator hired a new Coordinator at 75%-time. Nevertheless, the demands on the Coordinator continued to grow far beyond available time resources.

Over time the Incubator began to resemble a typical volunteer organization. Although the Steering Committee members were officially representing their organizations, their involvement in the Incubator was only a part of their jobs. There was considerable variety in the extent to which the different institutions held their representatives

¹⁸ Protocol, Screening Committee, 5.4.00, p. 3

accountable for their participation and reporting back. Steering Committee members were largely free to define their own roles as active participants the Screening Committee, gatekeepers to their institutions, ambassadors of the Incubator to the wider environment, or as passive participants.

The individual Steering Committee members contributed as much time and effort as they wanted or felt they could afford. Despite the initial enthusiasm, the heavy time investment eventually took a toll on the active members, who quietly resented the lack of involvement of others. As one Screening Committee member put it, there was " a lot of enthusiasm, but little commitment," which meant that, despite her strong positive feelings about the Incubator, it occupied a low status in her hierarchy of formal priorities.

As Steering Committee members limited their roles in the Incubator, more and more responsibility for doing the work itself fell to the Coordinator, who had no formal authority and could only use persuasion to obtain their cooperation. This shift is illustrated by comparing the coordinator's role description from the founding documents to that used for hiring the new Coordinator.¹⁹ This latter description placed emphasis both on coordinating the on-going screening work but also strategic functions such as fund-raising, training, and the roundtables. Because the Incubator considered proposals from any social field, but had no professional staff or ready pool of experts, the Coordinator had to find experts and gain their cooperation (often without compensation) for each new proposal. When Steering Committee members came up with ideas for improving and expanding the work of the Incubator, the Coordinator or ad hoc committees implemented them, which required coordination and follow-up. Gradually it became increasingly difficult for the Coordinator to mobilize Steering Committee members to serve on committees and to fulfill other functions.

As the conflictual nature of the adoption process became evident, Steering Committee members tended towards limiting their role to making connections and providing information, while leaving the negotiation, advocacy, and on-going oversight to the Coordinator. The Coordinator, however, lacked both the content knowledge and organizational clout to help the entrepreneur navigate through the institutional

¹⁹ The Role of the Coordinator, Incubator Workplan for 1999

bureaucracies. After an adoption agreement reached, the Coordinator's role was even less clearly defined. The complex, lengthy back and forth of the negotiations and the need to maintain contact generated an exponential increase in her workload.

The Incubator's highly decentralized, democratic structure required more, rather than less, coordination than a more hierarchical organization. All decision-making authority was placed in the Steering Committee, all Steering Committee members had equal say, and decisions were to be made by consensus whenever possible. In a situation where everyone had equal authority, no one had authority; the Coordinator had fourteen bosses but no single boss. The Steering Committee met only once every few months and decision-making was very slow, so the Coordinator had to function under conditions of high uncertainty and ambiguity but with no formal policy-making or decision-making authority.

The Coordinator was helped to navigate this highly complex and sensitive role by the by one of the Zippori Center representatives and by the Chairman. These three individuals functioned as a *de facto* management team, but the Steering Committee rejected suggestions to endow them with decision-making authority. Interestingly most of the Steering Committee members seemed unaware of the Coordinator's distress and of the tenuous position of the Incubator. They expressed satisfaction with the non-corporate entity structure and, with one exception, the Coordinator's performance.²⁰

The partnership. The unforeseen challenges of the matchmaking task and the problematic nature of the non-corporate entity might have been more manageable if they had been supported more fully by the partnership as originally conceived. This conception of partnership was not simply a means, but rather an ethos that lay at the heart of social entrepreneurship. As the first Coordinator put it, "an organization that advocates partnerships needs to be a partnership." The essence of the partnership was creating a network that would permeate organizational boundaries, free up existing but untapped resources, and recombine them in ways that would generate new value through innovation, improvement, and change.

²⁰ This lack of awareness was confirmed at the feedback sessions in which this study was presented to the Steering Committee. As a consequence of these meetings, Steering Committee members developed a common perception of these problems and began taking steps to address them.

In the planning and the initial stages of operation, the partnership appeared to work beautifully. Through a long, careful process of discussion and negotiation the Chairman created a broad coalition of partner representing the public sector, NGO's, and the business community. The series of founding documents reflect an attempt to include all of these parties and their interests in the design and development of the Incubator. Although the governmental institutions did not commit funds to the Incubator, they promised to seek out sources of funding and to provide "in kind" resources. The initial enthusiasm and involvement of the Steering Committee members seemed to confirm the genuine commitment of the partners.

For the most part there appeared to be a very good relationship among the core partners (Zippori, the JDC-Israel, and Sharir). There were no apparent conflicts of interest and disagreements were handled in open discussion. For example, there was a clearly recognized tension between the Chairman's desire to flexibility and initiative and the desire of the JDC-Israel's representatives to stabilize the structure and abide by procedure. For the most part the Chairman was cautious about pushing the partners too hard, preferring to preserve the partnership by compromising or bypassing sensitive issues. On the one hand this strategy succeeded in building an impressive coalition and keeping it together. On the other hand, it may have left the more threatening issues undiscussed and, to some extent, undiscussable.

Nevertheless, by June 2000, it was apparent that the partnership had not lived up to expectations. On the one hand, the directors of governmental organizations had formally opened their organizations to the Incubator, participated in the round tables, and met with entrepreneurs. On the other hand, they had not taken steps to raise funds, to make "in kind" resources more easily available, or to lower the bureaucratic barriers within their institutions. The high personal commitment of the individual representatives of these organizations did not necessarily reflect a similarly high *institutional* commitment. While the two NGO's, the Zippori Center and the JDC-Israel, demonstrated their institutional commitment by providing administrative infrastructure and funding, the governmental institutions did little beyond authorizing their representatives' participation (which itself has diminished). The Chairman frequently praised the active Steering

Committee members for acting in the interest of the Incubator rather than in their relatively narrow sectarian interests. In retrospect, however, this “non-interestedness” may have been a double-edged sword. By acting as individuals rather than as representatives, many of the members may have covered for the lack institutional commitment.

Three of the representatives from the government ministries pointed to the relative indifference of their agencies to the Incubator:

In theory I am the "representative" (of my organization) but no one there really knows what's happening here. The Incubator simply isn't on the agenda of my Ministry.

From the perspective of my Ministry the Incubator is marginal. My boss knows about it only because he has to sign off on budgets. My previous boss knew about the idea and gave his authorization that the Ministry participate, but beyond that he didn't know what was going on.

The JDC-Israel organized a breakfast forum for the general directors of the government ministries. Each time the issue of the Incubator came up, but none of the directors was really turned on by it.

As these quotations indicate, the government ministries were willing to sign onto the Incubator (and to put their names on its logo), but it never occupied a place of importance on their agendas.

Even when a general director appeared enthusiastic about the idea, it was difficult to translate this support into action. One of the representatives told a story about a director's very positive reaction ("What a wonderful idea!") to the Incubator. When the issue came up some months later, the director reacted exactly in the same way. The problem was that the director seemed not to have remembered hearing about it the first time. Despite the formal endorsement, the Incubator barely penetrated the agencies' "consciousness" or "memory" in ways that facilitated leveraging resources and support.

Why was the Incubator “not on the agenda”?

What accounts for the failure of the Incubator to get "on the agenda" of the government ministries? One hypothesis involves the target population. During the development of the Incubator, there was a debate over who should be the primary target population. One view held that the Incubator should serve individuals from *outside* of the system who want to inject new ideas, new ways of thinking, and new energies. The other view held that the incubator should serve individuals from *inside* the system who want to develop and implement ideas but are unable to do so within the limitations their normal organizational roles.

Rather than focus on only one target population, the Steering Committee decided to support both "independent" and "internal" entrepreneurs.²¹ Obtaining the support of the Civil Service Commission was an extremely important achievement because it meant that government employees who participated in the Incubator could continue to enjoy all of their rights and benefits. Nevertheless, there was almost no response to the call for proposals from within the public sector but a strong response from private individuals. If more of the entrepreneurs had come from within the system, it is possible that there would have been a greater incentive for and pressure on the public institutions to be more actively involved.

Another hypothesis involves the Incubator's very mission. "Promoting social entrepreneurship" and "innovation and improvement" represent a form of "second order" social change. Rather than providing a solution to a well-defined, social problem it aims at increasing problem solving capacity. Although the government agencies and foundations expressed support for the idea of second order change, it did not correspond to the problem definitions and bureaucratic categories through which they allocate resources. Furthermore, the organizational strategy (i.e. a non-corporate entity) represented an attempt to generate second order change by restructuring the system and its ecology rather than simply adding another organization. The problem is that both the Incubator's mission and its organizational strategy contributed to its "invisibility" and to the institutional "blindness."

²¹ Founding Documents July 1997, May 1998

Although the long-term strategic goal of the Incubator was second order change, it did provide concrete "solutions" to its partners. Furthermore, the Incubator's strategy was "supply driven" rather than "demand" driven. Essentially the Incubator gathered a selection of entrepreneurs with innovative ideas for solving social problems. It then had to "sell" these "idea-entrepreneur packages" to adopting institutions. However, there was rarely a one to one correspondence between what the incubator had to offer and what the adopting agency perceived as its needs. Thus, it was extremely difficult to find an appropriate and open slot for fitting these packages within large, highly complex and political bureaucracies. One result of the supply driven strategy was the complex mutual shaping process, which raised defensiveness on the part of the entrepreneur and risked emptying ideas of their innovativeness.

The difficulty in making a match between the entrepreneurs and the adopting institutions can be compared to a person trying to jump onto a fast-moving train. The openings may be there, but are little more than a blur to someone standing outside - unless they get a long running start. Only when they are moving close to the speed of the train can they locate an opening and hope to make a successful leap.

A final hypothesis is that, by its very nature as a second order change mechanism, the Incubator was perceived as a threat to the status quo and thus generated defensive reactions on the part of the existing system. As illustrated by the emergence of the "adoption institutions" as the central mechanism and providing "in kind" resources, the partners subtly co-opted the Incubator and limited its freedom of action. Because the Israeli system is relatively small and still highly centralized, the different sectors (government, NGO's, business) are far from distinct. Rather they are tightly bound by networks of mutual dependency, political interest, and personal relationships. This "defensive network" enhances the system's ability to limit the space of free movement from which a challenge to the status quo could emerge.

Conclusion: achievements, threats, and opportunities for experimentation

The Israeli Incubator for Social Entrepreneurship created a broad partnership and an organizational structure that enabled it to process 92 entrepreneurial proposals. It

accepted nine proposals and brought one to implementation. The data from this study indicates that the entrepreneurs received valuable support from the Incubator and did not view it mainly as a kind of “filling station” for material resources. Furthermore, the Incubator succeeded in keeping infrastructure to a minimum, channeling its scarce resources to the entrepreneurs.

At the same time the Incubators faced serious threats to its survival. The partners had not internalized the concept of risk or venture capital in the social sphere – neither by contributing to an independent pool of funds nor by freeing funding and lowering barriers within adopting institutions. The Incubator’s mission of generating second order change did not occupy a prominent place on the agenda of these institutions, including philanthropies and foundations. While the Incubator had mobilized the involvement of many of members of these organizations, in many cases the commitment is personal and not institutional.

The Incubator for Social Entrepreneurship represents a form of social experimentation. To the extent that the findings described above are valid, the Incubator's current predicament should be regarded as interim results, which provide an opportunity for inquiry, design, and testing through further rounds of experimentation.

The following are potential strategies for change based on three components of the Incubator analyzed so far:

- *Strengthening the partnership.* The Incubator could attempt to put greater political and moral pressure on the partner agencies to live up to their commitments by freeing resources and lowering barriers, but it is not clear what the Incubator could do now that it has not tried already. Alternatively it could continue its search for new partners who have both the resources and the willingness to invest them. While such potential partners may exist (they have not been located so far), there is also the danger that the entry of new partners might destabilize the current coalition.
- *Reorganizing the Incubator .* The Incubator could maintain its “non-corporate entity” status but change the role of coordinator into “manager,” investing it with more decision-making authority. The manager could then take more unilateral action to keep the task system within the capability of the structure and then focus on

mobilizing the partners. Such a manager would require considerable professional skills and credibility among the partners. Alternatively the Incubator could abandon its current organizational strategy and become an independent organization.

- *Change the task.* One simple way of bringing resources into alignment with demands would be for the Incubator to significantly limit the intake, processing, and servicing of entrepreneurs. It could, for instance, focus on specific areas of social service. Alternatively it could adopt a demand-driven strategy, seeking out specific gaps recognized by the current system and searching for entrepreneurs who have potential for filling them.

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Appendix 1: Sample of Social Entrepreneurs

Idea	Entrepreneur	Treatment by Incubator
Using temporary foster families and a community treatment team as means of helping dysfunctional families rather than breaking them up.	Ph.D. in Social Work who has developed the idea based on years of personal experience with the current system.	Accepted and adopted, including funding, by one of the founding partners. The program is currently in its pilot stage.
Creating greenhouses and courses in gardening as a means of social rehabilitation among Bedouin resettled in towns in the Negev region.	Social worker and employee of the welfare department of the local council.	Accepted but no adopting institution found yet. Contacts made with Ministry of Interior, Jewish National Fund, National Social Security Institution.
Developing a multi-year traffic safety education program beginning in elementary school and utilizing a simulated traffic park.	Private contractor. Came up with the idea after a member of his family was killed in a traffic accident.	Accepted in the Incubator but without a formal adopting institutions. Attended roundtable and put in contact with officials from Ministry of Education and Ministry of Transportation.
Social supervision for private family daycare centers, training for family daycare providers, and consulting to consumers.	Two entrepreneurs. A social worker who formerly worked in the supervision of public family daycare. She now runs her own daycare and provides supervision. A psychologist.	Accepted in the Incubator. Given help in developing a business plan through collaboration with MBA students of entrepreneurship. Still looking for adopting institution or outside funding.
Creating educational programs in non-violence and respectful communication.	Two retired educators and former officials in the Ministry of Education.	Application in process.
Developing telemarketing centers in depressed communities in the geographic periphery as a way of combating unemployment.	Unemployed engineer who came up with the idea and began developing it on her own.	Accepted into the Incubator but the relationship was terminated by the entrepreneur due to disagreements over how the project should be advanced.
Programs for pre-schoolers in sexual abuse.	Masters in education and expert in the field.	Accepted by the Incubator but rejected the offer to be adopted by the Ministry of Education. No longer in the Incubator
A ranch for therapy through horseback riding and contact with animals.	Undergraduate student.	Rejected by the Incubator after expert advised the Incubator that the idea already existed in other locations (i.e. not innovative).

Appendix Four: Keys to Success of Partnerships

Adapted from “Lessons Learned on Partnerships: Final Report”

Ekos Research Associates

Submitted to Voluntary Sector Roundtable, Ottawa, Ontario, Canada, October 1998,

<http://www.web.net/vsr-trsb/publications/ekosoc98/toc.html>

<input type="checkbox"/> The Partners	Was this key for success fulfilled?
Were all organizations affected by the partnership "at the table" early?	Yes
Do representatives have the skills and organization support to participate in the partnership?	Yes
Are partners committed to both the process and the outcome?	Representatives of the partners are committed but the institutions themselves seem indifferent.
Do partners have the power to make the decisions necessary to move the partnership forward?	Theoretically the partner institutions have the power make such decisions, but in practice the decision-making process is complex and highly bureaucratic. Decision making power is not concentrated in any single person's hands.
Are there contingency plans for turnover/absences?	No
Is there an adequate "paper trail/timeframe" to deal with turnover?	Yes
Is there adequate leadership to lead various activities/phases of the partnership?	Yes
<input type="checkbox"/> Goals and objectives	
Has an adequate diagnosis or needs assessment been conducted to develop goals and objectives?	Yes
Are goals and objectives articulated?	Yes
Are goals and objectives agreeable to the partners? Do they all benefit? Are their needs met?	Yes
Are the goals compatible with the organization's own mandate? Have boards, committees, staff and volunteers been informed?	Yes

□ Implementing a structure	
Do the partnership structures assist partners to define goals and roles.	Yes
Are there existing models which may be used to establish an appropriate structure.	Models exist, including technological incubators, but an innovative structure was chosen.
Do structures permit flexibility for extension, unanticipated changes in the external environment, or departure of partners.	Yes, but the structure has been relatively conservative in reacting to the environment.
Are the partners comfortable with the mechanism?	Yes
Investment and recognition	
Have all partners made an appropriate contribution to the partnership?	No
Are roles and responsibilities of partners clearly articulated?	Yes
Is the level and nature of investment recognized and appreciated by partners?	No.
Building trust	
Is sufficient time available to build the partnership relationships and for information sharing and debate.	Yes
Are resources available to permit partners to participate fully in the relationship?	Yes, in theory, but not in practice..
Are partners willing to be flexible and negotiate compromise?	Yes
Have all partners been forthcoming about their expectations, objectives, and limitations.	Yes
Recognizing early success	
Have short-term and medium-term objectives been identified?	Yes
Are there opportunities to mark accomplishments?	Steering Committee Meetings
Are partners taking opportunities to promote the partnership within their own communities/networks?	Yes, but with difficulty.

Monitoring results	
Are the accountability requirements of all partners met?	Yes
Are financial systems in place to meet fiscal accountability requirements?	Yes
Are the criteria for success linked to goals and objectives?	Yes
Are partners collectively responsible for decisions and results.	Yes
Are there resources dedicated for measurement of outcomes?	Indirectly through a research fund of one of the partner institutions.
Are there agreements in place as to how public communications will be handled.	Yes.