

Motivation for Social Entrepreneurship: Building an Analytical Framework

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Social entrepreneurship is a nonprofit behavior garnering interest from both practitioners and academics. The goal of this paper is to build a theoretical framework that can comprehensively examine the motivation of social entrepreneurship ventures in nonprofit organizations. The framework developed is built upon the literature foundations of nonprofit organizational research and organizational theory research. Specifically, institutional theory, resource dependency theory, and population ecology theory are employed to construct a framework that can examine motivations for social entrepreneurship from both micro and macro levels. The study of social entrepreneurship from each of these theories is presently in a fledgling stage. However, from examining the use of the theories in the analysis of nonprofit organizations it is possible to extrapolate their utility for social entrepreneurship.

Continuing research in the area of social entrepreneurship and its intersection with organizational theory is important to the investigation of motivations for social entrepreneurship among nonprofit managers. Prior to an empirical study concerning motivations of social entrepreneurship a theoretical framework must be established. Researchers in both organizational theory and nonprofit organizational studies provide an extensive body of literature that must be distilled in order to build the most solid foundation for a study.

The following paper seeks to build an analytical structure using population ecology theory, institutional theory, and resource dependency theory. Prior to meeting this goal it is necessary to first investigate the intersection between social entrepreneurship literature and organizational theory literature. Second, a further discussion of the intersection between nonprofit organizational theory and organizational theory is provided.

The dual levels of intersection are sought for several reasons. First, any research that examines social entrepreneurship from an organizational theory perspective is germane to the development of future empirical studies. Second, there are presently limited resources on social entrepreneurship from an organizational theory perspective, forcing examination to extend beyond social entrepreneurship. Third, due to the previous reason it is necessary to expand the framework of analysis to nonprofit organizations in general. This expansion, while not providing the most specific resources desired, offers significant insights into the behavior of nonprofit organizations from a general perspective. Furthermore, the use of information gathered at this level provides valuable resources on operational variables, methodology, and framework development in the examination of nonprofit organizations.

Overview

The task at hand is to synthesize present research efforts into a logical text that leads to the advancement of social entrepreneurship study. In proceeding there are three primary areas of analysis, social entrepreneurship, organizational theory, and methodology. This section of the paper examines each of these areas and then moves to formulating research questions that are a logical progression of the foundations established in the succeeding sections.

Literature on social entrepreneurship theorizes reasons for the increases in revenue and practice of this nonprofit behavior. Reagan Administration budget cuts tend to be the most commonly cited explanation for the proliferation of social entrepreneurship (Galaskiewicz & Bielefeld, 1998; Light; Dees & Emerson; 2001; Ryan, 1999; Salamon, 1991). Still, to date there is no empirical proof of the exact relationship

between these two occurrences. More importantly however, is the technical treatment social entrepreneurship receives in the literature.

Writers on social entrepreneurship tend to describe the practice instead of operationalizing a definition (Dees & Emerson, 2001; Bygrave, 1994). As a result there is a significant lack of coherence in interpretations of exactly what is and what is not social entrepreneurship. Compounding this difficulty is the multiple mutations of social entrepreneurship that have arisen in the literature such as social enterprise or social venture (Dart, 2002; Young, 2001). The confusion resulting from definitional ambiguity and arbitrary titling creates difficulty in studying what is social entrepreneurship. After all, if identifying the behavior itself is difficult, measurement and analysis can become decidedly invalid.

Due to the multiple theory analysis being constructed, each organizational theory is best summarized individually when considering its contributions and shortcomings. Institutional theory, as evidenced by previous work with nonprofits, is extremely apt for the examination of legitimating reactions involved in social entrepreneurship. Nevertheless, the study put forth by Kraatz and Zajac raises interesting questions about the utility of institutional theory for two specific reasons. First, institutional theory is not omnipotent in its explanation of nonprofit behaviors. It has limits. Second, assigning variables is a difficult task due to the abstract nature of institutional theory. Before completely accepting the findings from Kraatz and Zajac one must question the manner in which they framed the environment's role and the role of organizational actors. The difficulty with institutional variables is not new; in fact, one main concern with

institutional theory from its inception is how to operationalize variables for empirical research (Scott, 1987; Zucker, 1987; Zucker, 1977).

Resource dependency theory is also extremely prevalent in examining the behavior of nonprofit organizations. The utility of resource dependency in the examination of social entrepreneurship is the alternative reference frame that it provides. Instead of examining conformity for the sake of legitimacy (like institutional theory), resource dependency enables the measure of organizational reactions to changes in the resource environment, for example the need for program revenue generation due to government cut backs (Clark & Estes, 1992).

Population ecology operates as an organizing and analysis theory. From an organizational perspective population ecology has highlighted the importance of behavioral differences between nonprofits operating in distinct niches and populations (Flood & Fennel, 1995; Ruef, Mendel, & Scott, 1998). Employing this organizational format is extremely important when considering the environment under institutional and resource dependency. Population ecology is also useful analytically from an organizational size and change perspective. The development of social entrepreneurship can involve considerable divergence from organizational practices; consequently evaluating organizational inertia is extremely pertinent (Galaskiewicz & Bielefeld, 1998).

One final note on population ecology theory in the study of nonprofit organizations involves the use of industrial economics tools in the evaluation of niche or population structure (Galaskiewicz & Bielefeld, 1998; Ruef, Mendel, & Scott, 1998). Measurements of concentration seem to be of particular significance in the analysis of social entrepreneurship. Establishing objective measures of the environment furthers the

development of a behavior theory of social entrepreneurship under stratified conditions. It is important to not imply certain behavior (prior to analysis) based upon concentration measure and industrial economics theory. Concentration in industrial economics theory is used to define the structure of a market. Theoretically the market structure predicts conduct of organizations in that market, and establishes the performance measures from which such organizations are to be evaluated (Martin, 2000). Importing this structure, conduct, performance model has dangerous ramifications for analysis since the economic underpinnings of the nonprofit sector have yet to be proven consistent with the for profit sector.

Methodology is the final area of analysis. Previous work on nonprofits and organizational theory provide an extensive number of methodological frameworks. Galaskiewicz and Bielefeld presented the most congruent to the aim of this paper in their research on nonprofit organizational change. The model presented in this work serves as an example of a mesoparadigm, examining large environment relationships as well as internal organization relationships (Galaskiewicz & Bielefeld, 1998). Still, some of the concerns presented earlier respective to social entrepreneurship and institutional variables remain important. In fact without a clear remedy, the validity and reliability of any conclusions remains uncertain (as is the case with Kraatz and Zajac).

Nonprofit Organizational Literature

This discussion of nonprofit organizational literature divides the works into theory-literature and practitioner-oriented literature. Theoretical literature deals with overall nonprofit sector analysis establishing frameworks for analysis and providing descriptive statistics. Practitioner related literature provides tools to managers in the

sector, enabling them to better meet the multiple demands facing them and their organization (Brinkerhoff, 1996; Dees & Emerson, 2001). Social entrepreneurship also tends to fall into this latter section of nonprofit literature. As an end, social entrepreneurship is projected to stabilize revenue generation by decreasing dependence upon external organizations (Brinkerhoff, 1996).

Theoretical works in nonprofit literature have been dominated in the past by business, law, history and sociology (Bryce, 2000; Hall, 1994; DiMaggio & Anheier, 1990). The amalgamation of these fields presents a framework for studying the nonprofit sector that is diverse. The nonprofit sector (or nonprofit organizations) is not a new phenomenon, it is a fiber of society that predates the constitution of the United States (Hall, 1994). The sector has maintained significant roles in the reconciliation of disenfranchised citizen groups, particularly in the last half of the twentieth century.

Still, understanding the various roles nonprofit organizations have maintained does not provide a complete understanding of why they exist. Various propositions have been set forth to explain the rationale for why there is a nonprofit sector. One theory is that nonprofits provide services that are left unfilled by for profits due to lack of profit motive (Hansmann, 1987; DiMaggio & Anheier, 1990). Another theory is that nonprofits provide collective goods, enabling government to minimize its intervention into enterprise (DiMaggio & Anheier, 1990; Bryce, 2000). And still others cite personality inclinations based on individuals who seek altruism or religious purpose in their lives (DiMaggio & Anheier, 1990). Individually none of these rationales is acceptable to explain the proliferation of charitable organizations in such diverse areas.

More recently economists have also entered the debate of nonprofit organizational existence and theory. The economics approach is generally consistent with the market failure rationale above (Sinitsyn & Weisbrod, 2002). Expanding upon this base are models of nonprofit organization revenue generation behavior. Specifically Sinitsyn and Weisbrod examine trade revenue of nonprofit organizations as a two good-model, related and unrelated incomes. According to their findings nonprofits use unrelated incomes to support mission-related programs that operate in environments that are not conducive to suitable revenue generation. The underlying theme that is supported through this research is that nonprofits tend to operate in areas where supply and demand mechanisms failed to form a market able to support commerce.

Theoretical nonprofit research has expanded into many disciplines as it has progressed. Historical and evolutionary research documents the nonprofit sector's significance and permanence in the United States. Still the question remains: Why nonprofits exist? There is no one convincing rationale that seems to account for the diversity in the sector. The market failure approach elaborated upon by economists is most widely accepted by researchers (Galaskiewicz & Bielefeld, 1998). However, the theory does not take into account cultural or philosophical reasons for the establishment of organizations. Public goods theory is a compelling argument for certain nonprofits, but is completely contradictory to the creation of other organizations that direct services to members or a special interest group only. As a result, there is still need for further development of theory in this area.

One final area of nonprofit theoretical research is in the area of organizational theory. Since the topic of this area focuses specifically on this intersection of fields,

more attention is paid to this subject in subsequent sections. Prior to that presentation it is important to articulate the foundations of practitioner-oriented nonprofit literature, specifically in the area of social entrepreneurship.

Social entrepreneurship in many respects is simply an elaboration of the entrepreneurial model used in the private for profit sector, tailored to meet the sensitive needs of nonprofit organizations. There is presently a growing body of research on social entrepreneurship. While much of this research is anecdotal, or infatuated with best practices, some focuses on the theoretical underpinnings of social entrepreneurship (Dees, 1998).

There is not one definition of social entrepreneurship. In fact, literature describes instead of defines social entrepreneurship (Dees & Emerson, 2001; Bygrave, 1994). Still one “ideal” definition put forth of *social entrepreneurs* is those that, “play the role of change agents in the social sector, by: adopting a mission to create and sustain social value (not just private value), recognizing and relentlessly pursuing new opportunities to serve the mission, engaging in a process of continuous innovation, adaptation, and learning, acting boldly without being limited by resources currently in hand, and exhibiting a heightened sense of accountability to the constituencies served and for the outcomes created” (Dees, 1998).

Dees later expounds upon this concept of social entrepreneurship moving beyond descriptions and definitions, and discusses the process side of social entrepreneurship (Dees, Guclu, & Anderson; 2002). The process model that emerges takes into account two stages of social enterprise: 1) generating promising ideas and 2) developing promising ideas into attractive opportunities (Dees, Gucl, & Anderson; 2002). The

model informally looks at the development of a social enterprise from normative psychological factors like personal experience, social needs, and social assets. However, like much of the other literature on social entrepreneurship, there is no empirical foundation for these motivators.

Similar to the work of Dees, Guclu, and Anderson, decision management literature has emerged in other areas of social entrepreneurship. Pragmatic literature geared at practicing managers discusses social entrepreneurship from the perspective of financial management and strategic planning (Brinckerhoff, 1996; Dees, Emerson, & Economy, 2001; McLaughlin, 1998). The general concept is that by diversifying revenue streams, employing financial management tools and tapping unused resources, charitable organizations can buffer themselves from economic decline and be more prepared to take advantage of fleeting opportunities (Brinckerhoff, 1996; Dees, Emerson, & Economy, 2001). In other words they can be more entrepreneurial. Adding to this internal strategy is the concept of interorganizational cooperation, collaboration, or merger as a different means of managing the organization against environmental risks (McLaughlin, 1998).

In a different area of social entrepreneurship Olszak Management Consulting, Inc, (OMC) and Massarasky and Beinhacker performed empirical research on social entrepreneurship recently. These two reports complemented each other in both purpose and findings. OMC surveyed 25 organizations in Pittsburgh, Pennsylvania currently involved in social entrepreneurship. The goal was to examine the use of best practices, and whether the use of best practices had any effect on success of the venture. The study could not correlate best practices with success but an unanticipated result was that

organizations reported that the entrepreneurial venture increased visibility in the community (Tropman, 2002).

Massarasky and Beinhacker confirmed this “halo” effect. In their study of 519 charitable organizations, 86% of those that were employing best practices claimed the venture improved their organization reputation, while 81% not employing best practices claimed the venture improved their organization’s reputation (Massarasky & Beinhacker, 2002). Similar to the above study the purpose of this research was to examine the success of best practices in charitable organizations’ entrepreneurial ventures. The researches, unlike OMC, were able to link business planning with the continued existence of the venture. More significantly, some interesting preliminary descriptives of social entrepreneurs were brought to the forefront. In the study, charitable organizations that were older, had more than 100 employees, and had larger budgets were more likely to be entrepreneurial than the younger, few employee, lower-budget organizations (Massarasky & Beinhacker, 2002).

While the majority of the literature has focused on the two areas highlighted: social entrepreneurship descriptions, and best practices of social entrepreneurship management, there is also some attention diverted to the development of social entrepreneurship. When nonprofits were confronted with devolving government funding, there was a sincere need to look at other revenue sources. Government cutbacks were compounded by increased pressure from an expanding charitable organization base and for profit organization competition (Dees & Emerson; 2001; Ryan, 1999; Salamon, 1991). Since the early eighties private payments for dues and services has replaced the government as the major source of revenue for nonprofit organizations (Independent

Sector, 2001; Boris 1998). These indicators coupled with the Massarasky and Beinhacker study, which found that 47% of all the organizations in the study are presently or have in the past been social entrepreneurs illustrate the new composition of present charitable organizations (Massarasky & Beinhacker, 2002).

The discussion presented in this section on social entrepreneurship makes clear several points. The first is that while there have been significant achievements toward developing a comprehensive description of social entrepreneurship, no comprehensive definition presently exists. Second, the management of social entrepreneurship depends on balancing mission and bottom line financials, a distinction that breaks from for profit entrepreneurship. Third, measuring success of social entrepreneurship is in its infancy and there is no measure available except the existence of the enterprise. Fourth, private foundations have been active in the funding of research in this area, illustrating a possible institutional pressure. And finally, despite the progress made in the management literature on social entrepreneurship, there has yet to be any relevant explanations for the greater macro causes of this movement that is gaining greater force in the nonprofit sector.

Organizational Theory

Institutional Theory

The foundation for the institutional theory framework derives from the work of Zucker, and Meyer and Rowan. In what is seen in the field as a seminal article, Meyer and Rowan begin to establish the theoretical foundations of institutional theory emphasizing the relationship between rational structures adopted by organizations and the legitimacy that these structures afford (Meyer & Rowan, 1977). Zucker's article provides

a more empirically based approach examining institutionalization as both a process and a property variable (Zucker, 1977). Together these two articles provide a sturdy foundation upon which institutional theory has been elaborated.

At its core, institutional theory examines the affect that an operating environment places upon a given organization or set of organizations (Zucker, 1977, 1987; Meyer & Rowan, 1977; DiMaggio & Powell, 1983; Scott, 1987). The solution provided to coping with this external pressure is institutionalization of rational structures. Meyer and Rowan write, “As markets expand, the relational networks in a given domain become more complex and differentiated, and organizations in that domain must manage more internal and boundary-spanning interdependencies...Because the need for internal coordination increases under these conditions, and because formally coordinated work has competitive advantages, organizations with rationalized formal structures tend to develop” (Meyer & Rowan, 1977).

The adoption of rational structures described above leads to a state of isomorphism in a population of organizations. The process from initial organizational form to isomorphic form is three fold. The first stage is habitualization (new forms arise to meet growing complexity), the second stage is objectification (the evaluation of the new structure as rational or not), and the final stage is sedimentation (the diffusion of the structure through out the population creating a legitimization or full isomorphism) (Tolbert & Zucker, 1995). The isomorphic process is not necessarily smooth. According to the theory, an organizational form can be discarded at anytime during the process up to the point of sedimentation (Tolbert & Zucker, 1995). After sedimentation, the form is

considered institutionalized, hence rationally suited to the environmental forces that engendered it.

This change process can be elaborated upon by examining the forces that dictate the move to isomorphism. Three specific isomorphic pressures are coercive, mimetic, and normative (DiMaggio & Powell, 1983). Coercive isomorphism results from the organizational desire to gain legitimacy within their operating domain or population (DiMaggio & Powell, 1983; Scott, 1987). Essentially, coercive pressure is placed upon organizations by outside institutions (the state, financial entities, or society as a whole) that maintain a position of legal authority or resource control over the respective organizations. Hence, forms of all organizations within that population are rationally organized (in a similar manner) to gain legitimization or acceptance from the external institution.

Mimetic isomorphism is an organization's response to uncertainty in the environment, causing the organization to adopt systems and techniques perceived as successful by other organizations (DiMaggio & Powell, 1983; Scott, 1987). Searches for "best practices" in an operating environment, the adoption of human resource programs (e.g. sexual harassment standards), and similar service provision are all examples of mimetic isomorphism. Social entrepreneurship as a movement seems to exhibit some of the properties associated with mimetic isomorphism.

The final general category of isomorphic change is normative pressure. Professionalism exemplifies this type of isomorphic change. Definitively professionalism is "the collective struggle of members of an occupation to define the conditions and methods of their work, to control 'the production of producers', and to

establish a cognitive base and legitimation for their occupational autonomy” (DiMaggio & Powell; 1983: 152). The influence of professionalism can be exerted through both educational institutions that produce students with similar skills and perceptions or through network relationships (DiMaggio & Powell, 1983; Scott, 1987).

The final two aspects of institutional theory involve the scope of institutionalism and the variables that measure both prevalence and intensity. When discussing institutional pressures on a given organization it is important to define the environment or sources of such pressures (Scott, 1987; Zucker, 1987). Organizations in different environments or populations face different pressures. Norms that are defined in one area as acceptable may be unacceptable in another (the motivation between nonprofit, for profit, and government organizations is a good illustration of this point) (Scott, 1987; Zucker, 1987; Zucker, 1977). Therefore, to accurately assess the importance of institutional theory in a given area it is important to first offer accurate definitions of that area.

Defining variables of institutionalization is also necessary to further the growth of the theory. As it was stated in the overview, in order to bridge the gap between theory and practice, and to make pragmatic observations about the role of institutional theory, it is important to have variables that can quantify the level and intensity of institutionalization. Measuring the position of an organization in the institutional process (or isomorphic process as discussed earlier) has serious implications for analysis. Organizations that are less institutionalized or at the beginning of the process will have more difficulty in transferring norms and policy internally than organizations that are at a sedimentary stage (Zucker, 1977). In her 1987 article, Zucker does break institutional

variables into three broad indicators, institutional environment, degree of institutionalization, and consequence of institutionalization (Zucker, 1977). Still, measuring institutional variables can be both difficult and ambiguous.

In conclusion, the above review emphasizes the employment of rationalized structures in complex environments as a means of attaining legitimacy and hence survival. The most noticeable absence in the theory is with the concept of efficiency. Institutional theory says that firms forego efficiency in complex, uncertain times-choosing survival instead. The next two theories: resource dependency and population ecology- accentuate empirical research of institutional theory while providing a look at specific variables that threaten both legitimacy and survival.

Resource Dependency Theory

As indicated in the title of the theory, resource dependency deals with specific input pressures placed on an organization from the environment. Divergence between institutional theory and resource dependency theory occurs at this level, as resource dependency variables are more simply defined as “power and financial resources.” However, the overall interest lies in the relationship between an organization’s inputs and the legitimacy, which engenders positive relationships with such providers of inputs.

Resource dependency theory is a rational model that incorporates both endogenous and exogenous variables (Scherer & Lee; 2002). The endogenous variable perspective looks at resources as a fixed supply or scarce. The repetitive use of endogenous variables creates competitive tensions between firms to attain the diminishing quantity of the fixed resource. Exogenous variables also create scarcity brought about by external demand pressures which increase the scale of production. The

resultant production demands the use of more inputs that causes the overall supply of them to diminish respectively (Sherer & Lee; 2002). The presence of scarcity in both of these arguments implies a firm designs its systems in a way that enables them to attain the necessary resources to be successful.

The literature on resource dependency theory examines two broad categories of resources: factors of production and power. Factors of production are, economically speaking, land, labor, and capital. Resource dependency theory points to the fact that these resources are dependent upon relationships with other firms. In an example illustrated by stakeholder theory, for profit firms can be shown to depend upon nonprofit organizations for labor, consumption, and legitimacy (Abzug & Webb; 2000). Other research has confirmed this observation in the area of hospitals that have been forced to adopt to changing Medicare policies (Clark & Estes, 1992; Flood & Fennel, 1995; Coppola, Hudak, & Gidwani). Researching the economic dependence of one organization on another maintains significant importance in this proposal. However, at this point it is important to simply establish that foundation of theory for the above stated relationship.

Power maintains a significant level of attention in the resource dependency literature as well. From the perspective of a given organization power is both an internal and external variable. Internal power is viewed as the relationships that exist between actors within an organization: managers, line staff, and executives for example (Mintzberg, 1983; Pfeffer, 1981). In the framework of the theory, power is a resource that when exercised enables an actor, or group of actors in an organization, the ability to exert some degree of control over an uncertain environment. Due to the level of

uncertainty faced by an organization, power basis can be drawn from diverse areas such as resources, technical skill, personal charisma, relationships, hierarchy, or body of knowledge (Mintzberg, 1983; Bohlman & Deal; 1997). There is also informal power within an organization that arises from norms and is executed by esprit de corps (Merton, 1940). The need to always cope with an external environment causes constant power struggles within an organization from a variety of actors.

External power is utilized in an organization's relationship with other organizations or institution in the environment. These entities may be suppliers, consumers, government institutions, or the media. Power relations of this type can include lobbying, public relations, and collective bargaining. More specifically than the previous power discussion, external power relationships illustrate the attempt of managers in an organization to deal with complexity in the environment.

Compared to institutional theory, resource dependency theory introduces a manager's attempt to deal with the environment through relationships. Resources that flow into the organization are inherently affected by power through institutional environment forces, supply relationships, or consumer relationships. Organizations are depicted as being placed in the middle of multiple demand systems. The complexity that arises from the various relationships causes managers internally and externally to seek legitimization and control.

Several studies have emerged that provide a contingency organizational theory, applying both institutional and resource dependency theory (Greening & Gray, 1994; Sherer & Lee, 2002; Clark & Estes, 1992). Generally institutional theory helps explain why an organization moves in a specific strategic direction, while resource dependency

theory explains the process of getting to the destination. In summary, resource dependency theory isolates the variables that flow in and out of an organization. These variables can be easily measurable as is the case with financial support and marketshare, or more subtle like power. The significance is that growing complexity from exogenous or endogenous sources creates resource scarcity that forces organizations to seek legitimacy and preserve the necessary supply of resources.

Population Ecology Theory

Population ecology theory is concerned with the environments that organizations operate in, and the characteristics of those environments. Instead of studying why all organizations are alike or all organizations are different, population ecology looks at why populations of organizations are similar, but differences between populations remain (McKelvey & Aldrich, 1983). Furthermore, population ecology uses descriptive statistics (births and deaths) to analyze the effect an environment has on the population of organizations.

The first process of population ecology is the classification of populations. Classification enables the organizational researcher to organize a set of organizations according to their actions. The grouping allows important questions to be analyzed in the population ecology framework.

Moving past population groupings, the theory embarks on a framework of selection of organizations. Selections allow the theory to get to the heart of three important phenomena: organizational birth, organizational death, and organizational change (Singh & Lumsden, 1990). The discussion of these three phenomena in the

literature is explicit, however, the theoretical importance of birth, death, and change relates to the environmental influence emphasized in population ecology.

Population ecology theory-similar to the previous theories discussed-argues that environment dictates organizational survival (Hanna & Freeman, 1977; Hanna & Freeman, 1984; Singh & Lumsden, 1990). The environment provides vital resources that the organization needs to survive. These resources come in the form of legitimization, market share, and financial resources. The ability of an organization to work within the environmental restraints can be the difference between life and death. Organizational selection and survival in a population is seen as an alignment of structure with environment (Hanna & Freeman, 1977; Singh & Lumsden, 1990).

Population ecology elaborates on two types of organizational structures that may exist in a market. The first is the generalist form. Characteristics of the generalist form are resource slack, the ability to quickly adapt, and dependence upon a wide variety of resources (Hanna & Freeman, 1977). Due to these characteristics, this form is generally better suited for a dynamic environment; in a stable environment the costly nature of the generalist form creates a competitive disadvantage (Hanna & Freeman, 1977). On the contrary, specialist forms have a more narrow focus employing more professionals. The specialists increase inertia of the structure making this form generally better suited for stable environments. However, in times of rapid change specialist forms can provide better resistance to fluctuations than a generalist form that may inappropriately distribute excess capacity. (Hanna & Freeman, 1977: 948).

With the above framework in place, population ecology theory incorporates other principles into the theory for analysis. The most significant of these-from a theoretical

perspective-is inertia. According to the theory, organizations that have a higher degree of inertia have better survival rates (Hanna & Freeman, 1977, 1984; Singh & Lumsden; 1990). Inertia as a concept provides a strong link between institutional theory and population ecology theory. The germane feature is that older, larger organization forms that have aligned with population forces survive due to insulation created by legitimacy. The principle outlined aides in the explanation of the policy of newness, which states that new organizations have greater difficulty surviving than older, more inert forms (Singh & Lumsden, 1990). The remainder of this section overtly examines birth, death and change of organizations in population ecology theory.

The level of analysis in organizational birth research tends to be at the population. The limited literature that is available in this area focuses on population density, “since an even larger number of deaths would signal an environment noxious to potential entrepreneurs, which would there by discourage foundings” (Singh & Lumsden, 1990: 164). A focus on the entrepreneurial process could possibly remedy this point.

Organizational death has received the bulk of attention in population ecology theory. Rationale for death of an organization falls under a variety of theories. An organization could inappropriately apply a specific form (general or specialist). Lack of inertia, symbolizing an illegitimate form, can cause failure. And finally density and competition in the population can cause higher mortality rates for a number of reasons, including lack of resources to support all the competing organizations (Hanna & Freeman, 1977, 1984; Singh & Lumsden; 1990).

The final area of interest-organizational change-pulls together many of the areas already discussed. For example, as explained earlier, generalist forms are better equipped

to alter with a dynamic environment. Furthermore, while large, older organizations have inertia forces that seem to preserve their existence, the same forces handicap their ability to change. This is exemplified when compared to small, new, dynamic organizational forms.

Population ecology theory covers a diffuse area of research. The greatest contributions of the theory lie in the theoretical frameworks established to analyze the births of organizations, the deaths of organizations, and the change of organizations. Still, this discussion would be remiss if it did not emphasize a few parting points on population ecology. First, there is latent organizational life-cycle theory serving as an underpinning for the discussion on birth, death, and organizational change. And second, it is important to not use population ecology theory to generalize across populations; the environment faced by one population can be radically different than the environment faced by another.

Analysis of Organizational Theory and Social Entrepreneurship

As it was stated previously, the goal sought by this literature review is to examine the intersections of social entrepreneurship literature and organizational theory literature. The foundation constructed above provides a baseline of understanding in each of the respective fields. Moving forward the natural progression is towards research that encompasses both areas of work or at least nonprofit organizations and organizational theory.

The intersection of social entrepreneurship and organizational theory is in the fledgling stage of research. A thorough review of the literature found only two recent studies in this area. The first is a paper which examines social enterprise from an

institutional perspective (Dart, 2002). Dart sets forth two important points in this work. First, the market failure theory is too narrow (and rational) in its examination of nonprofit organizations and subsequently social enterprise. Second, social enterprise is an institutional change process. Furthermore, another study examines the innovation of web adoption among nonprofit organizations in rural Ohio (Kanayama 2002). Resource dependency theory and institutional theory are both employed to illustrate the decision process of nonprofit organizations in the study. In this case the institutional environment dictates the need for technology improvements, while the resource environment affects more detailed decisions like the type and mode of improvement (Kanayama 2002).

The two studies presented above indicate the present condition of intersection between social entrepreneurship and organizational theory. Due to the limited resources available it is important to protract the frame of intersection beyond social entrepreneurship. Hence, the remainder of this section examines general nonprofit theory and its intersection with organizational theory.

There has been a variety of research on nonprofit organizations from the organizational theory framework. Sociologists and management researches have pointed the majority of their attention towards the health subsector. Still, philanthropy, arts, education, and general evaluations have also been conducted employing one or more of the frameworks established by institutional theory, resource dependency theory and population ecology theory.

Much research on health care organizations incorporates resource dependency theory, institutional theory, and population ecology theory. In their 1992 article, Clark and Estes incorporated all three theories into their investigation of home health

organizations. Their findings examine the similarities and differences between for profit and nonprofit organizations. Their summary articulates three broad conclusions. First, tax status is not a useful variable in explaining behavioral distinctions between the sectors (Clark & Estes, 1992). Second, nonprofits are no more dependent on government funding than for profits, consequently, “ecological analysis does not help distinguish between HHAs of different tax status” (Clark & Estes, 1992: 963). Finally, institutional pressures of the field dictate the relative importance of tax status, not simply the fact that for profits and nonprofits exist in the same arena (Clark & Estes, 1992).

In an article about home health agencies in San Francisco, Ruef, Mendel and Scott employed both population ecology theory and institutional theory. The study examined entry and competition of organizations during three distinct time frames with varying degrees of institutional climate. During the period of strong government interaction, larger, older organizations derived greater benefits from legitimacy, preventing an influx of competition (Ruef, Mendel, & Scott, 1998). However, the withdrawal of the government marked by the managed competition era increased competition and diminished the role of legitimacy (Ruef, Mendel, & Scott, 1998). Incorporating population ecology and niche analysis into the study, researchers illustrated that home health agencies not affiliated with a hospital maintained a niche, minimizing their exposure to competition from other hospitals (Ruef, Mendel, & Scott, 1998). Conversely, home health agencies vertically integrated with hospitals were subjected to barriers to entry and competition from other hospital agencies.

Nursing home administration is yet another segment of health care nonprofits studied through the lens of organizational theory. In research that examined TQM

adaptation by nursing homes, it was found that perceived competition-not actual competition-increased adaptation by organizations (Zinn, Weech, & Brannon, 1998). This finding indicates the difficulty complex environments create for organizational decision making. Another point of significance was illustrated in the mimetic isomorphic process observed by homes closely associated with hospitals. Such cases revealed that nursing homes with more Medicare participation (which illustrates more exposure to hospital practices) will adopt TQM, mimicking the actions of more legitimate actors (hospitals) (Zinn, Weech, & Brannon, 1998).

Flood and Fennel took a more general perspective examining the health care system as a whole in their 1995 article. Their observations looked specifically at institutional and ecological explanations of organizational decisions. The main concept of the article is that the shift in resource flows to hospitals in the form of Prospective Payment Services intensified the complexity and uncertainty in the marketplace. From the institutional perspective the authors discuss isomorphic change processes. Specifically two types of normative isomorphism were identified: professionalism and social norms (Flood & Fennel, 1995). Professionalism is illustrated by the core of management professionals that have grown, bringing a new set of skills and norms to the industry (Flood & Fennel, 1995). At the same time societal norms have changed allowing it to be acceptable for medicine to be controlled by corporations. The other form of isomorphic change is mimetic isomorphism, as illustrated by the increasing adoption of cost systems that are legitimized by perspective, not performance (Flood & Fennel, 1995).

The population ecology framework examines the rate of failure of health systems as a result of the changes in the population environment. PPS forced organizations to operate in a different resource environment completely. Hence, selection pressures were compounded and organizations died from lack of adherence to the environment (Flood & Fennel; 1995).

Research on charitable organizations has also taken place outside the health industry. Generally, the arguments discussed above hold for the other populations. The presence of normative isomorphism illustrated a particular case in the area of philanthropy. In a study of corporate foundations in the Minneapolis-St. Paul metropolitan area, Galaskiewicz found that in times of uncertainty and complexity, corporate grantmakers perceptions of nonprofit organizations is influenced by network relationships (Galaskiewicz, 1985). Put differently, “Professionalism, in other words, may contribute to the institutionalization of a single mind set towards prospective donees” (Galaskiewicz, 1985: 656).

Institutional forces, along with evolutionary forces, emerged in an analysis of Consumer Watchdog Organizations (CWO) as well. Rao writes, “When entrepreneurs use frames to legitimate the new form, they inject an organizational form with cultural content and serve as conduits by which cultural rules are encoded into organization” (Rao, 1998: 947). This statement illustrates the findings of the analysis that CWOs were engendered by a collection of pressures both institutional and ecological. The environment in which they emerged demanded that successful organizations submit to isomorphic pressures in order to prevail. A chief isomorphic pressure in this

development process was professionalism, creating simultaneously demand for the services of CWOs and the resources to staff them (Rao, 1998).

Research on nonprofit organizations has also been used in an attempt to illustrate the limits of the institutional framework. In a study of 631 private liberal arts colleges, Kraatz and Zajac surmise that in the strong institutional environment of higher education, organizations acted inconsistently with the tenets of theory, seeking instead resource dependency solutions. Specifically, liberal arts colleges facing demand for more professional programs increasingly moved in that direction (away from cultural norms) without a significant effect on mortality (Kraatz & Zajac, 1996). Additionally, organizations did not tend to mimic more legitimate actors in the environment, but instead sought resource-based solutions for the increased complexity (Kraatz & Zajac, 1996).

One final piece of literature provides possibly the most encompassing study of nonprofits from an organizational theory point of view. Galaskiewicz and Bielefeld performed a longitudinal study on Minneapolis nonprofit organizations, studying the process of organizational change. The authors summarize, “Patterns of resource dependencies did explain the choice of tactics. And social network variables had an independent effect on the growth in donated income and volunteers, the choice of tactics, and the quality of life within organizations” (Galaskiewicz & Bielefeld, 1998: 236). Additionally, population ecology theory (niche conditions) was supported by the finding that specialist organizations outperformed generalist organizations in times of rapid change.

Another valuable aspect of the Galaskiewicz and Bielefeld study rests in the methodology. Instead of trying to use one organizational theory to explain change in nonprofit organizations, a framework was developed that could account for diverse organizational reactions. Population ecology served as an organizing theory, defining niche conditions and organization type (generalist or specialist). Resource dependency theory and institutional theory were then used to examine specific types of behavior based upon an organization's internal and external conditions (Galaskiewicz & Bielefeld, 1998).

The literature discussed in this section delineates the degree to which organizational theory has been used to study social entrepreneurship, and/or nonprofit organizations. Due to the limited number of studies on social entrepreneurship the frame of study was expanded to nonprofit organizations as a whole. The foundation established illustrates a congruency between institutional theory, population ecology theory, and resource dependency theory and the study of social entrepreneurship. Studies of nonprofit organizations have generally validated the supposition that such organizations operate in a consistent manner with these three organizational theories (Galaskiewicz & Bielefeld, 1998; Flood & Fennel; 1995; Zinn, Weech, & Brannon, 1998; Ruef, Mendel, & Scott, 1998; Clark & Estes, 1992). Consequently, it is apt to extrapolate that social entrepreneurship, a behavioral direction of some nonprofit organizations, is subjected to the same or similar pressures.

Conclusion

The use of institutional theory, resource dependency theory, and population ecology theory documented in the study of nonprofit organizations (generally or to

specific conditions) infers that social entrepreneurship can be thoroughly evaluated using a similar framework. The growing popularity of social entrepreneurship among nonprofit organizations, coupled with an absence of studies dealing specifically with motivations and behavior of the practice, illustrates a gap in present research. The research gathered in this paper sought to highlight the need for the study of social entrepreneurship through the lens of organizational theory.

While still in the fledgling stages, this literature review of organizational theory, social entrepreneurship, and the interaction of the two fields sets forth several research questions:

- **What is social entrepreneurship?** Essentially it is important to differentiate social entrepreneurship, from social venture, social enterprise or any other descriptive title of similar practice. In operationalizing social entrepreneurship it is important that the definition has meaning to both researchers and practitioners. Of primary concern in the area of study delineated in this paper is social entrepreneurship as a fiscal measure, not simply revenue generation. Consequently preliminary work on a definition of social entrepreneurship has resulted in, “Social entrepreneurship comprises the dynamic behaviors of nonprofit organizations that engender change in the sector through invention, innovation, and original concepts, which increase the mission related value of programs and services to a respective organization’s stakeholders.” Innovation and original concepts can take the form of a new organization, creative revenue generation, new marketing strategies, or development collaborations. Social entrepreneurship does not infer success, failure, or health of an organization. Instead it defines the specific strategic directions and actions of a nonprofit.
- **What are the institution variables and environment profiles germane to social entrepreneurship and the nonprofit sector?** Common institutional variables concerning nonprofits are professional network ties (Galaskiewicz & Bielefeld, 1998; Galaskiewicz, 1985), government regulation (Ruef, Mendel, & Scott, 1998), and cultural norms (Zinn, Weech, & Brannon, 1998). Great care should be taken in the selection of these variables due to the relative ambiguity of institutional measures. Additionally, these variables will help construct a profile of the environment in which a population of organizations operates. Understanding population environments provides a more meaning analysis of the motivations of social entrepreneurship.

- **Does social entrepreneurship vary between niches and populations?**
This is a population ecology question. Organizational change was subject to environmental restraints respective of niches, (Galaskiewicz & Bielefeld, 1998) hence there is no reason to believe that social entrepreneurship is not subject to similar restraints.

The answers to these questions are essential to reaching conclusions on the overarching concern of the reason nonprofits are engaging in social entrepreneurship. Understanding the adoption of social entrepreneurship by nonprofits is important for several reasons. First, social entrepreneurship-while successful for some organizations-has the potential to be equally damaging to other organizations. It is significant to know what conditions and motivations of nonprofit organizations lead to successful entrepreneurial ventures. Second, present public policy needs to evolve with the conditions of the sector. Third, institutional actors can better understand their roles in the impetus for social entrepreneurship. Educating organizations and institutional actors can create an environment that encourages social entrepreneurship appropriately instead of as a panacea for the entire sector.

In conclusion, foundations established in organizational theory research of nonprofit organizations have created an excellent opportunity for study of social entrepreneurship through similar lenses. Initial research in this area will be benefited through the definitive clarification of social entrepreneurship and specific institutional variables. The findings that will ensue maintain utility to nonprofit practitioners, academics, and public policy makers.

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