

EVALUATING THE TENSION WITHIN A NOT-FOR-PROFIT ORGANIZATION, WHEN DEVELOPING A BUSINESS MODEL FOR THE MAINTENANCE OF A SUSTAINABLE PROFITABLE BUSINESS VENTURE

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ABSTRACT

This research examined the affect of social capital on venture performance in a not-for-profit. Using longitudinal case study methodology, triangulation was achieved through analysing historical documentation, social capital measures and financial indicators. Results showed that social capital provides crucial resources and information in the business development process, according to a time line. The model for "the opportunity creation process" (Guclu, Dees and Anderson 2002) was then employed, as a tool for the presentation of data, when testing the process of developing a business model in the third sector; with the addition of social capital concepts, as the social impact theory.

INTRODUCTION

The harsh reality of modern day Israel, illustrates a country that has moved from a once socialistic society, to a nation where the disparity between rich and poor continues to widen (Israel Finance Ministry 2000). "Once the most egalitarian society in the developed world, Israel is now among the least so" (Hirschberg 2003). The bank of Israel portrays a devastating picture, of an unequal and fragmented society, whereby almost one out of five families lives below the poverty line, a total of 1.32 million citizens out of 6.5 million people, demonstrating a three fold increase from 1988-2001 (Hirschberg 2003). This creates serious implications for the not-for-profit sector, which balances diminishing government funds with a mounting demand for welfare service. Social service organizations are consequently becoming more business orientated and innovative by developing commercial strategies, such as franchise models to initiate resources as new income generating avenues. Today the knowledge of business skills has therefore become a crucial reality for a not-for-profit, to mobilize resources in order to enhance social value. The continual competition between charitable organizations for grants, donations and government funding, advocates the necessity for voluntary groups to be innovative, creative and risk taking (Brinckerhoff 2000). "Competition rules the day. Today it is "not-for-profit" organizations bidding against other "not-for-profits", for-profits and even government entities" (Dees, Emerson and Economy 2002). The CLICK (Community Leadership and Intervention of Crisis for Kids and the Elderly) not-for-profit, founded in Israel in 1983, to meet the increasing needs of children from families in stress and the aged sector, faces and copes with such demands. Given the current socio-economic climate, pressures were placed on the organization to develop creative methods of self sufficiency. Scarce resources promoted CLICK'S innovation to mobilize its own assets, when a window of opportunity opened for the organization, to establish an innovative handicraft manufacturing factory. The aim being to become a sustainable and profitable in-house industry, based on reinvesting the profits to cover expenses of the business enterprise. The progress and outcome of the CLICK business enterprise, has been historically documented in the following three year single longitudinal in-depth case investigation. This research evaluated the tension within the CLICK not-for-profit organization, when developing a social entrepreneurship process and testing an entrepreneurial business model in the third sector. This research also embraced a wide range of exciting elements involving community development work, social networking, interpersonal relationships,

business principles, volunteering, occupation for the aged, cross generation interaction and business for social responsibility.

The following literature review demonstrates the importance of social capital networks in obtaining sustainability and profitability when developing social entrepreneurship. The overview commences with an appraisal of social entrepreneurship, as a starting point, to understand the fundamental essence of social capital, and its relevance to this case study.

SOCIAL ENTREPRENEURSHIP

Social entrepreneurship embraces the basic principles of entrepreneurship, but involves “innovative programs, organizational structures, or resource strategies, that increase their chances of achieving deep, broad, lasting, and cost-effective social impact” (Dees 2003). Social entrepreneurship is about novel and more improved methods to benefit the world (Dees 2003). As in the case of entrepreneurship, it involves the ability to identify ideas that develop into entrepreneurial opportunities, claimed by Timmons (1990) as the aptitude to see what others do not. The major difference is that social entrepreneurship draws on resources for social benefit, rather than for financial gain (Austin, Stevenson and Wei-Skillern 2006).

Social entrepreneurship arises to promote a vision of a better universe, defined as the gap between socially desired necessities and the current reality (Guclu, Dees and Anderson 2002). The fundamental force of social entrepreneurship is the social problem being focused on (Austin, Stevenson and Wei-Skillern 2006).

Dees, Haas and Haas (1998) claim, that social entrepreneurship involves the act of merging “the passion of a social mission with an image of business-like discipline, innovation, and determination”. The concept is not new, only the name in itself, as it implies a converging or “blurring of sector boundaries” (Dees Haas and Haas 1998), among the business and social sector. Social entrepreneurship is not a new type of philanthropy, or a charitable organization becoming a business, but it is an approach describing core values: “a driving passion to make that happen, be it through a new invention, a different approach, a more rigorous application of known technologies or strategies, or a combination of all three” (Hartigan 2002).

Definitions of the term social entrepreneurship vary from more extensive to confined (Austin, Stevenson and Wei-Skillern, 2006). The wider definition relates to entrepreneurial actions, with a social aim either in the business sector (business for social responsibility), in corporate social entrepreneurship, the not-for-profit sector, or across all these segments, for example, hybrid structural shapes that combine not-for-profit and for-profit methods (Austin, Stevenson and Wei-Skillern, 2006). “With its emphasis on problem-solving and social innovation, socially entrepreneurial activities blur the traditional boundaries between the public, private and non-profit sector, and emphasize hybrid models of, for-profit and non-profit activities” (Johnson 2000). When looking at the more narrow definition, social entrepreneurship relates generally to the occurrence of using business know-how and market expertise in the not-for-profit sector, whereby not-for-profits create novel methods to accrue revenue (Austin, Stevenson and Wei-Skillern, 2006). Social entrepreneurship nevertheless tends to be thought of as not-for-profits creating income, regardless of attempts to present a more “innovation-based definition” (Dees 2003).

For the purpose of this study, social entrepreneurship has been defined according to the narrow definition described by Austin, Stevenson and Wei-Skillern (2006) of employing business expertise and market competence, to form new ways of generating resources in the not-for-profit sector. This case study consequently involves employing an innovative business earned income approach to realize social impact.

SOCIAL CAPITAL

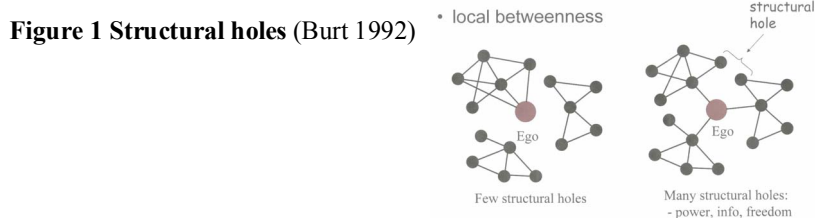
Social capital has become an increasingly important resource for social entrepreneurs to accumulate, especially when commencing a new enterprise (Hansen 2001). Considerable literature connects social capital to entrepreneurship (Aldrich and Martinez 2003), (Thorton and Flynne 2003), (Audretsch and Keilbach 2004), implying that entrepreneurial accomplishment is bettered where the development of social capital is larger (Amin 2000), (Simmie 2003), (Smith 2003).

Social capital correlates to obtainable resources within a community as a result of “networks of mutual support, reciprocity, trust and obligation” (Australian Bureau of Statistics 2000). “*It’s not what you know, it’s who you know*” (Woolcock and Narayan 2000). The fundamental idea of social capital is social interaction, whereby social networks have value, by representing the relationships among people and the combined importance of who they know (Putnam 2002).

Empirical research associates social capital with improved quality of life, such as better health for people in disadvantaged neighbourhoods (Healy and Hampshire 2002). Improved quality of life may be influenced by the strength, or weakness, of social networks between individuals in that community (Granovetter

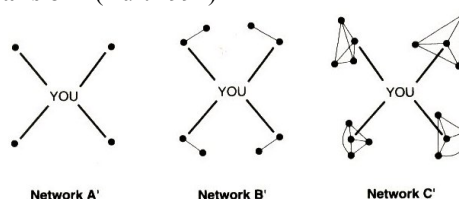
1983). Granovetter (1983) argues that the stronger the link joining two people, as in the case of friends and family, they will tend to be more alike, as compared to weaker contacts that tend not be socially related to one another. The knowledge that they gain with regular contact, is more likely to be similar to the information that one already knows, suggesting that there are more openings to novel information from weak ties, as compared to strong links (Granovetter 1983).

Building on Granovetter's (1983) theory, Burt (1992) suggests a stronger "structural hole" argument by adding "non-redundant" contacts (weaker ties) to a dense network with "structural holes" (gaps amid discrete clusters of people). According to Burt (2000) people on either side of a structural hole circulate in different flows of information. Structural holes therefore provide the opportunity to bridge the stream of information amongst people and direct programs that bring together individuals from differing sides of the hole (Burt 2000), as illustrated in Figure 1.



In addition, to the personal networks of the entrepreneur, the structural role of networking can be effectively expanded, by developing a number of primary trustful contacts who can develop their own cluster of predominantly "non-redundant" (Burt 1992) "weaker" secondary contacts (Granovetter 1983; Burt 1992). Hence less time is spent on "redundant" contacts and more time invested in the development of more primary networks (Burt 1992), as presented in figure 2.

Figure 2 "Strategic network expansion" (Burt 1992)



Following on from Granovetter's and Burt's theory, to further understand the definition of social capital, a comparison to other forms of capital helps identify its specific characteristics and dimensions. Audretsch and Keilbach (2004), for example, present the notion "entrepreneurship capital", the key factor determining and indicating economic growth (Audretsch and Keilbach 2004). Entrepreneurship capital is associated with economic activity, whereby social capital is composed of a particular sub-element labelled "entrepreneurship capital" (Audretsch and Keilbach 2004).

Another type of capital that is becoming of greater awareness in corporate business culture, especially since the introduction of business for social responsibility, is spiritual capital, a concept that demonstrates how values and purpose are main forces in the development of social networks and trust (Zohar and Marshall 2004). Social capital needs to contain spiritual capital, since this binds a community together, and provides the added component of morals and meaning (Zohar and Marshall 2004).

Spiritual capital is influenced by the development of relational capital, a dimension of social capital that refers to the concept of assets found in relationships, such as trust, and it is built on social interactions that occur among two or more people (Zahra, Yavuz and Ucbasaran 2006). The higher the social interaction, the likelihood for the development of relational capital increases, which in turn reflects on emotional capital, information and resource attainment (Liao and Welsch 2001). An entrepreneur can then leverage these meaningful trusting connections and use them to his/ her benefit (Liao and Welsch 2005).

In addition to relational capital, the structural dimension of social capital is typified by examples of social interaction that permits an entrepreneur to utilize personal networks to access information and resources vital for establishing a venture (Liao and Welsh 2001). The structural dimension relates to the pattern of links between players (Liao and Welsh 2005). Structural capital is defined as the most basic type of social capital and the source for the materialization of relational and cognitive capital (Liao and Welsh 2005).

The behavioural cognitive dimension of social capital is described as a shared understanding between people within the network such as a joint vision or goal. The links between players direct the transmission of norms within the social network whereby, firms entrenched in vastly inter-connected relationships cultivate shared anticipations (Liao and Welsch 2001).

Three additional specific dimensions of social capital have been acknowledged by Woolcock and Narayan (2002) being, bonding, linking and bridging capital. All three types according to Stone and Hughes (2001) are important for developing a strong society and all three have structural, relational and cognitive features. Bonding capital, for example, implies social bonds and support, which builds on familiarity and closeness and densely knitted trusted relational capital; such as the links between intimate family members and friends, similar to one another in areas such as race, socio-economic status or political association.

Linking capital relates to ties with people in places of authority, power and control of social and economic resources, such as a direct link between people and members of government; thereby facilitating communities to acquire resources. According to Woolcock and Narayan (2002) bridging capital refers to the less dense “formal and informal”, “strong and weak” links among different people and societies, which join them and help to obtain assets beyond their private networks. It implies overlapping connections, whereby participants of one group can gain right of entry and consequent resources from a different group (Stone and Hughes 2001). This facilitates community connectivity and community problem solving.

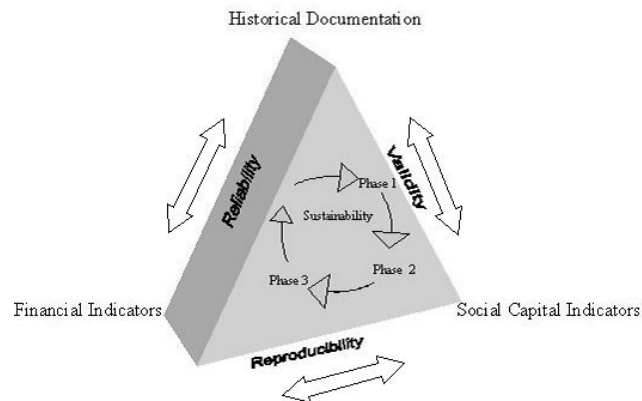
METHODOLOGY

The framework used to both identify and measure the contribution of the social capital dimensions in CLICK'S case of social entrepreneurship, is based on findings from the research question: *How do social capital stocks influence sustainability and entrepreneurial growth in a not-for-profit organization?*

Longitudinal single case study methodology presented by Yin (2003), provided the best approach to assess the research question, since it encapsulated the dynamic act of process and change over a period of time. Using case research design for the study's infrastructure, the three phase model of entrepreneurship (Greve and Salaff 2003) was then employed as the structural layout in the case study, in order to recognize significant stages for the development of social capital and to provide a benchmark for comparative analysis between each stage. The unit of analysis for example, emerged as being the crucial role of the volunteer social network of the enterprise.

The three phase model demonstrated that a venture recognizes significant social network activity, in three evolutionary stages of entrepreneurship: 1) motivation, 2) planning and 3) establishment stage (Greve and Salaff 2003) (Greve 1994). To investigate this assumption, the methodological triangulation model illustrated in figure 3, was designed for analysing and then testing the CLICK enterprise.

Figure 3 Methodological triangulation model for assessment

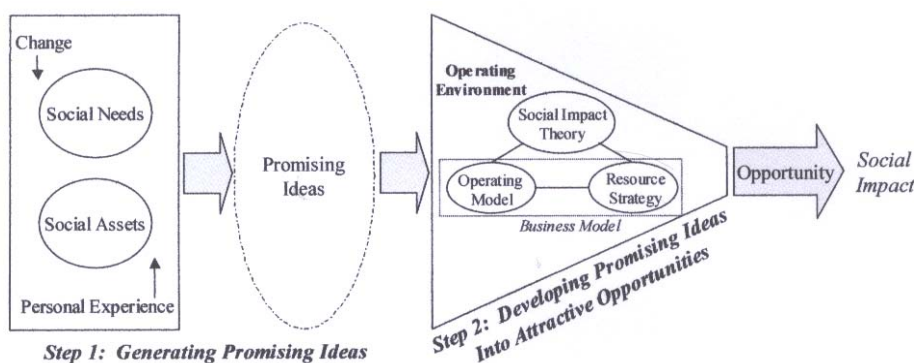


More than one qualitative indicator has been used in order to enhance the validity, reliability and reproducibility of the data. The case study sources of evidence were: historical documentation (diary excerpts, interview recordings and participant observation), social capital measures and financial indicators; coded and assessed with “NVivo” qualitative content analysis.

External validity was achieved by continually comparing the outcome of the research, to broader social capital theory, such as the outcomes of measurements of social capital and its specific components. Internal

validity was achieved by continually comparing the network’s distinctiveness of bonding, linking, and bridging social capital, in terms of: 1) motivation, 2) planning and 3) establishment phases of the enterprise. In relation to the research question, when seeking a practical, functional, social entrepreneurial business model in the third sector, "the opportunity creation process" (Guclu, Dees, and Anderson 2002) presented an opportune infrastructure to investigate with the CLICK data. Social capital theory also formed direct input to the framework model for the "opportunity creation process" (Guclu, Dees, and Anderson 2002), which demonstrated a means for social entrepreneurs to create an opportunity worthy to pursue. This model involves two steps: formulating a promising idea and then developing it into an appealing opportunity, illustrated in figure 4

Figure 4 "The opportunity creation process" (Guclu, Dees, and Anderson 2002)



Ideas tend to originate from the private experience of the entrepreneur, although social needs, social assets and change may also guide the development of promising ideas (Guclu, Dees and Anderson 2002). This is the first step of the model, creative idea generation, followed by the developmental analytic and logic stage (Guclu, Dees and Anderson 2002). This phase involves adapting an attractive idea into a worthwhile opportunity by using a business model, composed of a resource strategy and operating model. The business model is then fitted to a plausible social impact theory, whereby "both steps combine inspiration, insight and imagination with research logic and analysis" (Guclu, Dees and Anderson 2002).

Six specific conceivable hypotheses regarding the principal social capital theory were consequently proposed for testing, and a number of variables of social capital (friendship networks, network size, network durability, network frequency, volunteerism, organizational culture, social trust, and network diversity measures) were suggested. Findings from these hypotheses were subsequently used in support of social capital concepts, best describing the social impact theory in the Guclu, Dees, and Anderson model.

RESULTS AND OBSERVATIONS

The influence of social capital is demonstrated in the subsequent findings and discussion of results of the six hypotheses tested, commencing with hypothesis number 1.

Hypothesis Number 1

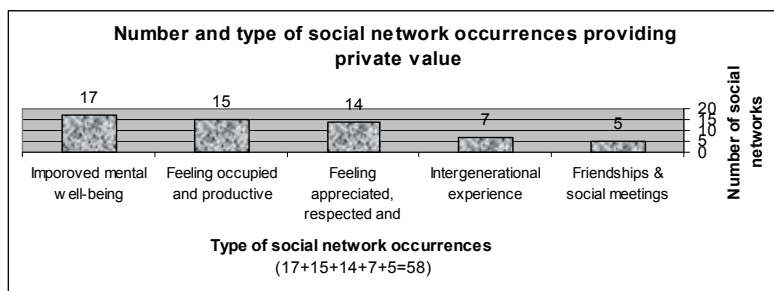
Social networks that develop among volunteers in the CLICK handicraft workshop provide private value.

Measurement Indicator:

The number of social network occurrences developed in the CLICK handicraft workshop and the type of private value provided by these social networks.

Evidence from the "NVivo" data supports hypothesis number 1 with 58 strong supportive social network occurrences¹ that provide private value in the CLICK venture (See Figure 5).

Figure 5



The development of friendships, social meetings, being occupied and productive, reflected on general well-being and self respect of the volunteers in the CLICK venture. The more content they were from their work in the handicraft workshop, the more frequently, consistently, diligently, and committed they became (CLICK records 2005). This directly reflected on the development of relational capital, reinforcing peoples' identification and obligation to common goals (Zahra, Yavuz and Ucbasaran 2006).

Morale and work spirit consequently was extremely high and this also reflected on the volunteers' productivity and consequent service delivery. Volunteer staff turnover was also very low and assumed the result of overall well-being and satisfaction (CLICK records 2005). These factors relating to the private value of social networks are all of extreme importance when developing a sustainable and profitable business venture, dependant on productive, consistent, dedicated and reliable manpower.

According to Putnam (2000) social capital has "a private good and a public good". The private good has been demonstrated in support of hypothesis number 1. Networks that evolved among volunteers in the CLICK handicraft workshop, as well as providing private value, also had influence on public value, as illustrated when testing hypothesis number 2.

Hypothesis Number 2

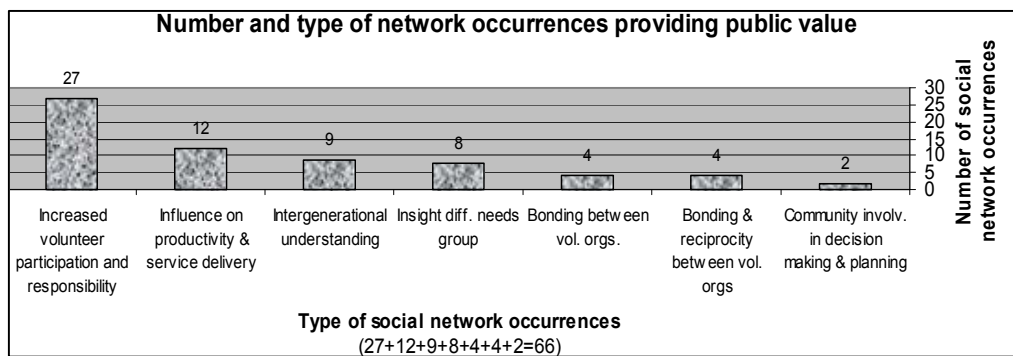
Social networks that develop among the volunteers in the CLICK workshop provide public value.

Measurement Indicator:

- a) The number of social network occurrences developed in the CLICK handicraft workshop and the type of public value (social impact community projects) provided by these friendship networks.
- b) The number, length of time and diversity of volunteers in the community involved in the venture.
- c) The number of volunteer working hours performed per week in the enterprise.

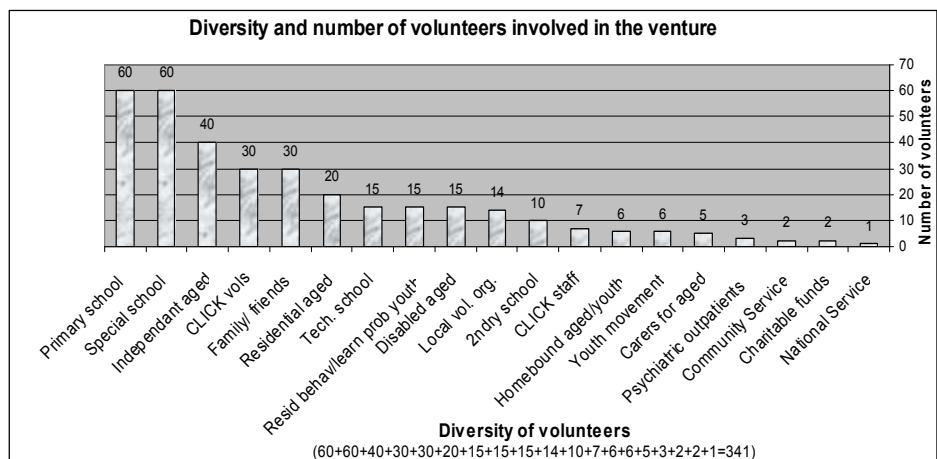
Evidence from the "NVivo" analysis supports hypothesis number 2, with 66 social network occurrencesⁱⁱ among the volunteers in the CLICK handicraft workshop that provided public value, (See Figure 6).

Figure 6



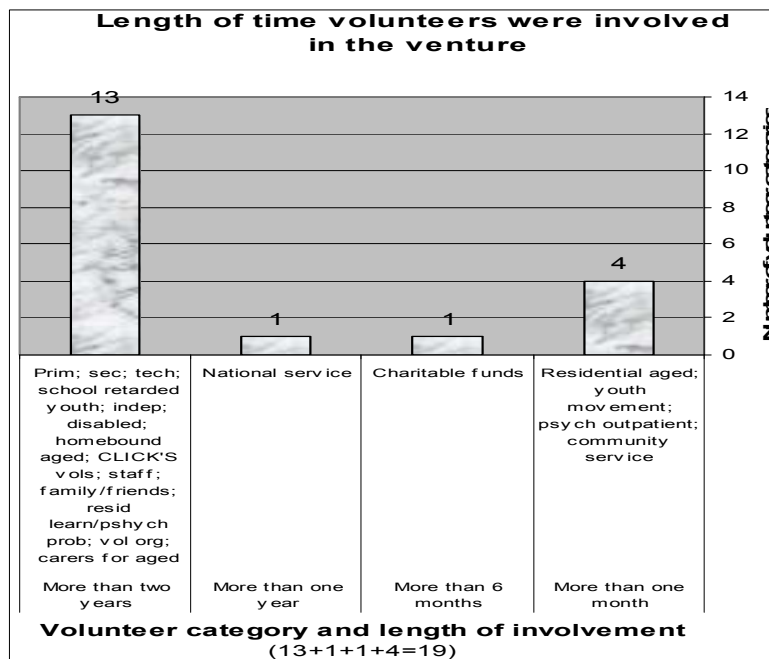
Volunteering is a common measure and indicator of community involvement, indicating the strength of a particular community (Australian Bureau of Statistics 2000). A total of three hundred and forty one volunteers, comprising of nineteen different volunteer categories varying in type and number, promoted community involvement in the venture (See Figure 7).

Figure 7



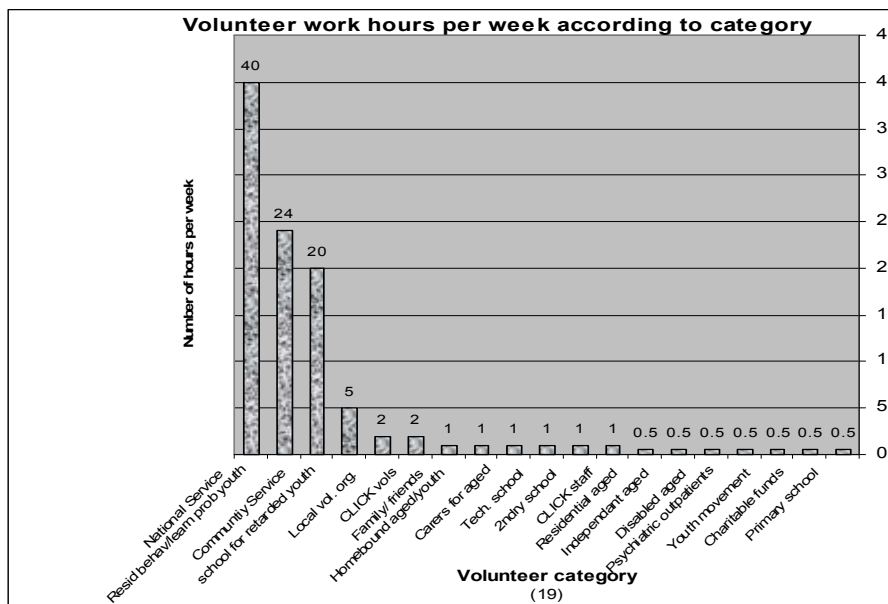
Thirteen volunteer categories:- (primary, secondary, technical, school for retarded youths, independent, disabled, homebound aged, CLICK'S volunteers, CLICK'S staff, family/friends, residential centre for the comprehensive education of learning disabilities and psychological problems, volunteer organizations and care givers for the aged) participated for more than two years in the project (See Figure 8).

Figure 8



Three out of the nineteen volunteer groups contributed from twenty to forty volunteer work hours per week, those being from alternative national army service (40 hours per week), residential centre for the comprehensive education of learning disabilities and psychological problems (24 hours per week), and court order community service volunteers (20 hours per week) (See Figure 9).

Figure 9



Social impact, such as insight into different needs groups, that involved carrying out community interests using entrepreneurial approaches (Zappalà 2001), was achieved in enterprise. This was performed by a variety of creative methods, involving interaction with intergenerational and special needs groups, working

together as integral components in the CLICK factory. These initiatives provided a tremendous source of social capital for the project, by bringing people communally together to help one another (Stone 2000). The nineteen diverse volunteer categories gained immense spiritual value from their work in the venture, giving them a purpose in life and the belief in a common community mission and shared vision, being the cognitive dimension of social capital. This cognitive dimension of social capital is described as a shared understanding within the network such as a joint vision or goal.

Support to hypotheses number 1 and 2, assumes that the higher the social interaction, the likelihood for the development of relational capital increases, which in turn directs to emotional and physical support, information and resource attainment (Liao and Welsch 2001). This leads on to hypotheses numbers 3 and 4 that test the value gained from specific distinct components of social capital networks, in providing crucial information and resources for business development, according to a time line.

Hypothesis Number 3

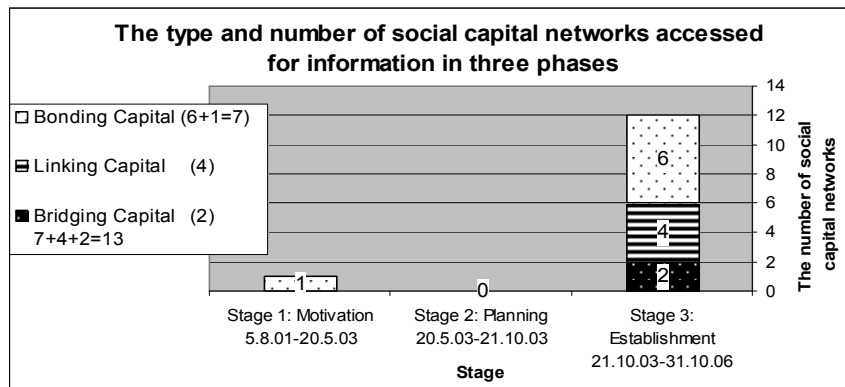
Social networks contribute to obtaining operational informationⁱⁱⁱ in terms of: 1) motivation, 2) planning and 3) establishment phases of the enterprise.

Measurement Indicator:

The type of “bonding” social capital, “linking” social capital and “bridging” social capital networks (Woolcock and Narayan 2002); and the frequency^{iv}, length of time^v, plus the number of people consulted for obtaining operational information; during the: 1) motivation^{vi}, 2) planning^{vii}, and 3) establishment phases of the enterprise.

Hypothesis number 3 has been supported with social capital links, providing information, in terms of the three phase model of entrepreneurship. Thirteen people were consulted for obtaining information: - bonding capital (7), linking (4) and bridging capital (2), mainly in the establishment phase (See Figure 10).

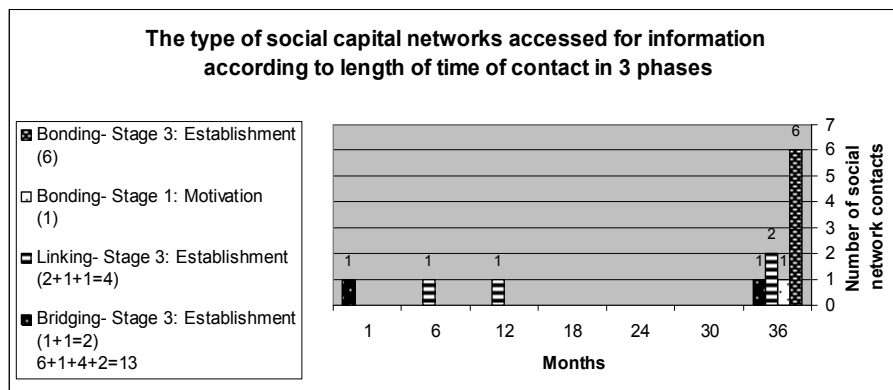
Figure 10



Hypothesis number 3 demonstrates a relatively small number of strong (Granovetter 1983) redundant (Burt 1992) contacts providing information, mainly from family and friendship, dependable and reliable bonding capital sources (7) (See Figure 10). This was particularly important when initially starting the enterprise.

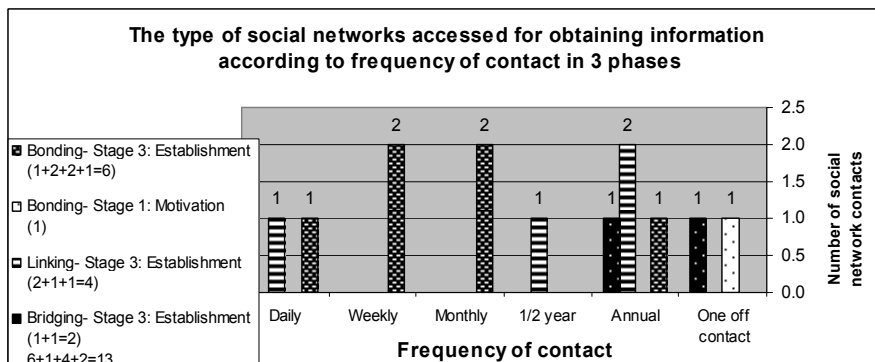
Most of the contacts providing information tended to be long lasting in nature with bonding, linking and bridging capital networks all being continually accessed for information over three years, predominantly in the establishment stage (See Figure 10). Bonding social capital networks (6) provided information for the longest period of time, up to 36 months (See Figure 11). This emphasized the durability of the contact and value of the network in providing information.

Figure 11



Bonding capital was frequently accessed for information on a daily (1), weekly (2), monthly (2) and annual (1) basis, particularly in the establishment stage, indicating the ongoing usefulness, dependability, consistency and value of the network (See Figure 12).

Figure 12



A larger number of social networks were accessed for resources, as seen when testing hypothesis number 4.

Hypothesis Number 4

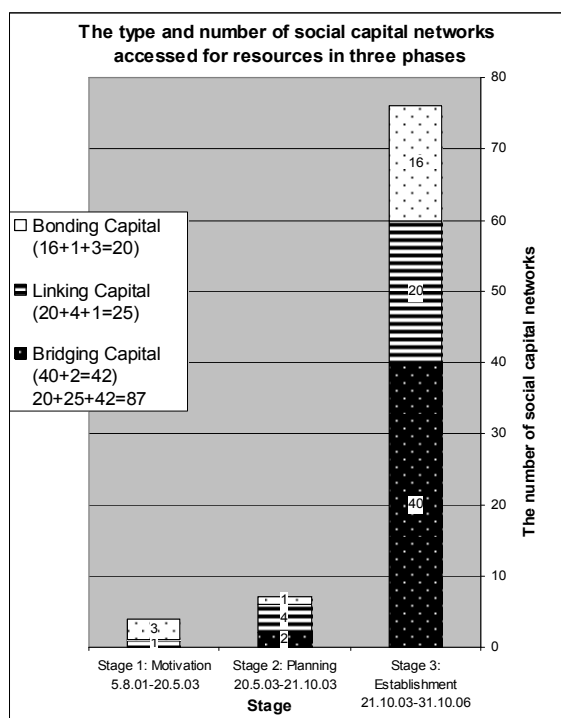
Social networks provide resources^{viii} for operational purposes in terms of -: 1) motivation, 2) planning and 3) establishment phases of the enterprise.

Measurement Indicator:

The type of “bonding” social capital, “linking” social capital and “bridging” social capital networks (Woolcock and Narayan 2002); and the frequency^{ix}, length of time^x, plus the number^{xi} of people who were consulted for obtaining operational resources; during the: 1) motivation^{xii}, 2) planning^{xiii}, and 3) establishment phases of the enterprise.

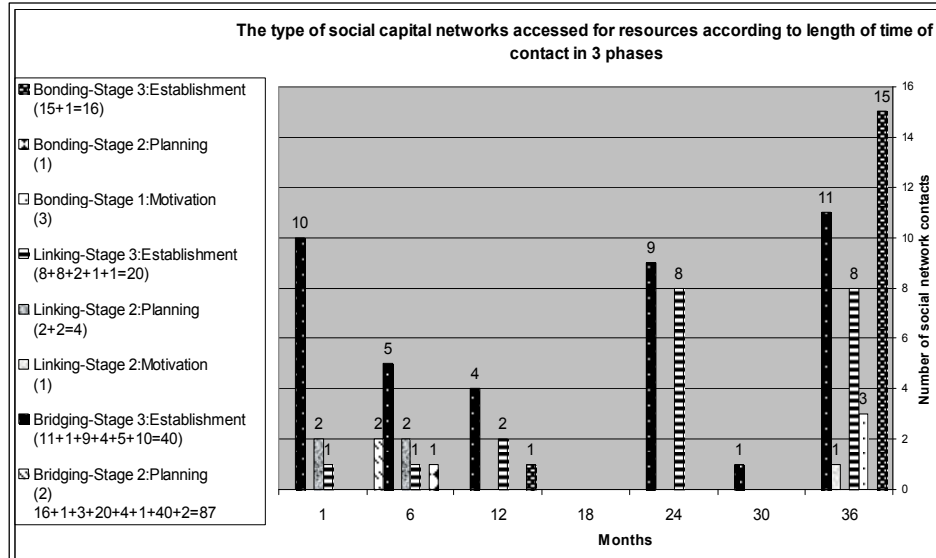
Hypothesis number 4 has been strongly supported, whereby social networks do provide resources in terms of: 1) motivation, 2) planning and 3) establishment phases of the enterprise. A large number of eighty seven, predominantly non-redundant contacts (Burt 1992), {bridging (42), linking (25) and bonding networks (20)} were accessed, mainly in the establishment phase (See Figure 13).

Figure 13



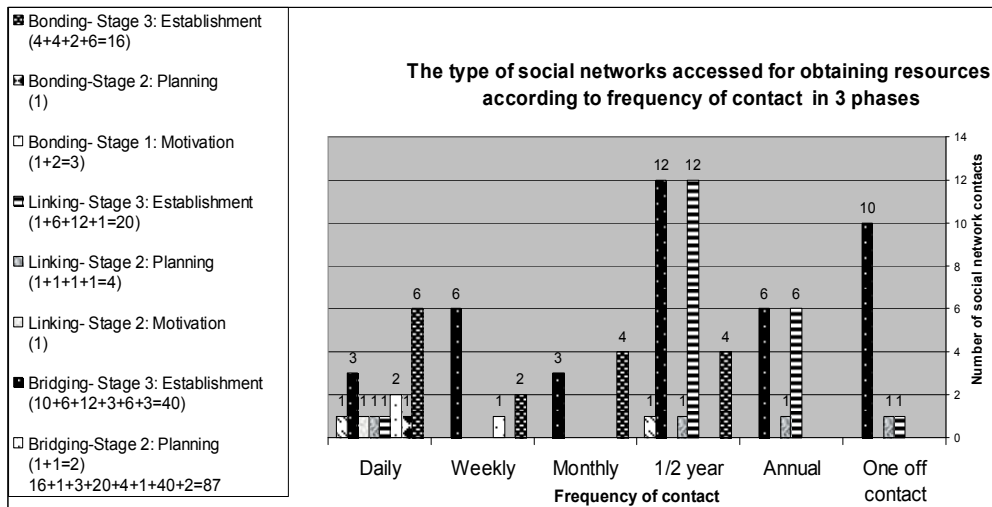
Long term two year bridging (9) and linking (8) relationships, comprised of the volunteers in the workshop and financial donors (See Figure 14). A relatively large number of bridging one month short contacts (10), or six monthly contacts (5), signified networks involved in short term marketing, or community activity projects, that also contributed to the growth and sustainability of the venture (See Figure 14).

Figure 14



When comparing the type of social networks accessed for obtaining resources according to the frequency of the contact, bridging (12) and linking capital (12) were accessed, predominantly, at every half yearly periods in the establishment phase (See Figure 15).

Figure 15



The results of the CLICK research only partly supports hypothesis number 4, whereby the intensity, frequency, period of time or durability of a specific network, does not necessarily indicate the effectiveness of the contact. Not all long term durable and frequently accessed contacts were positive in nature, and even detrimental in the event when trust levels broke down. CLICK'S venture incurred several setbacks from long term harmful networks. Hypothesis number 4 though, has been supported in that social networks do provide a large and diverse number of contacts that improve access to resources and consequent entrepreneurial growth in the three phases of the enterprise. This was particularly evidenced when diverse groups "bridged" links with other varied groups, for the purpose of sales, reflecting on sustainability. In addition to these valuable diverse bridging networks, CLICK'S staff was indispensable in the growth of the enterprise, leading to the assessment of hypothesis number 5.

Hypothesis Number 5

Strong work ethics and organizational culture, provides a backbone of support for the venture in terms of -: 1) motivation, 2) planning and 3) establishment phases of the enterprise.

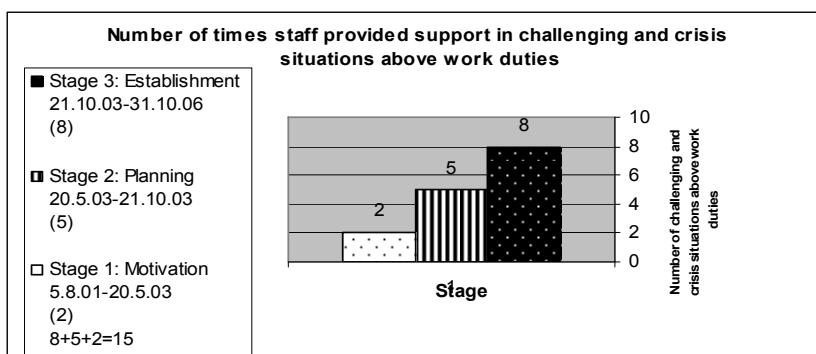
Measurement Indicator:

The number of times and type of activities staff provided support, in challenging and crisis situations, over and above work duties, during the following phases: 1) motivation, 2) planning, 3) and establishment.

Hypothesis number 5 is supported by strong work connections provided by CLICK'S staff, as well as organizational culture based on commitment, mutual support and dedication, symbolizing the backbone of support for the enterprise. CLICK'S staff represents the human capital (property-knowledge and skill) (Putnam 2000) of the venture.

Strong staff support was particularly evidenced by their commitment in challenging and crisis situations over and above work duties on fifteen significant occasions (See Figure 16). Early in the motivation (2), planning (5) and establishment (8) stages, staff provided aid, in excess of conventional working hours in a number of crisis situations (See Figure 16).

Figure 16



Staff displayed a strong sense of spiritual capital, a concept that demonstrates how values and purpose are the main forces in the development of social networks and trust, which in turn influence economic, political, and social issues (Zohar and Marshall 2004).

The powerful work connections and organizational culture at CLICK were deeply embedded in the relationships, built on social trust that impacts directly on the sustainability and growth of the enterprise, as illustrated, when evaluating hypothesis number 6.

Hypothesis Number 6

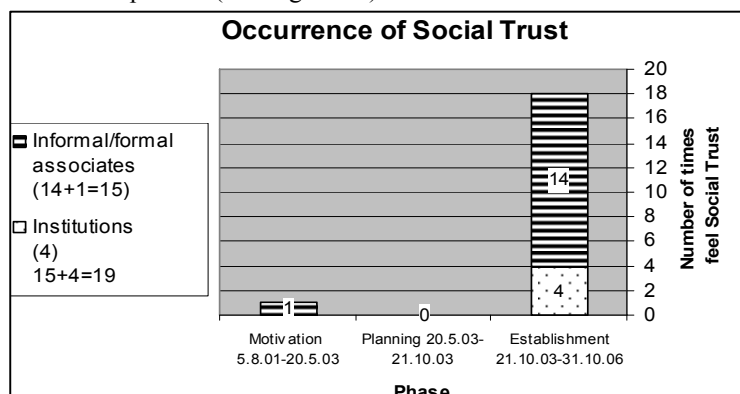
Social trust^{xiv} directly impacts on the growth of the enterprise in terms of 1) motivation, 2) planning and 3) establishment phases of the enterprise.

Measurement Indicator:

- a) The number of times social trust was felt with institutions^{xv}, strangers and informal/formal associates^{xvi} during the following phases: 1) motivation, 2) planning, 3) and establishment.
- b) The number of times lack of social trust^{xvii} was felt with institutions, strangers and informal/formal associates during the following phases: 1) motivation, 2) planning, 3) and establishment.
- c) The type of social trust felt with institutions, strangers and informal/formal associates during the following phases: 1) motivation, 2) planning, 3) and establishment.

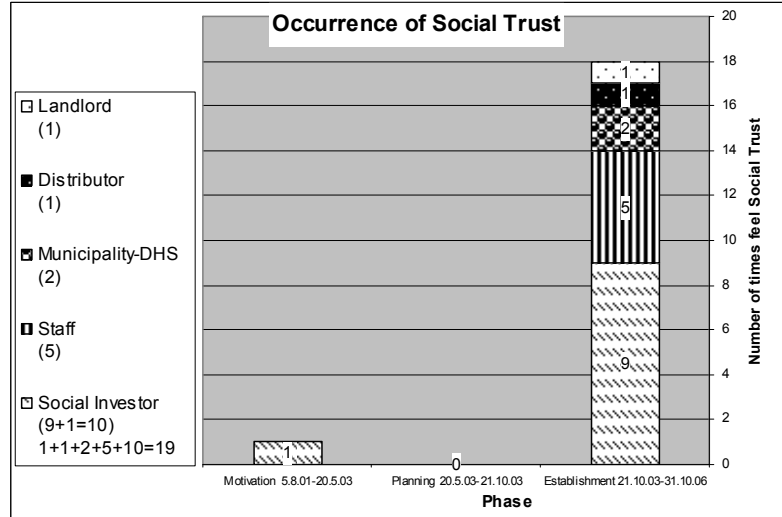
Social trust (19) was felt mainly with informal/formal associates (15) compared to institutions (4), particularly in the establishment process (See Figure 17).

Figure 17



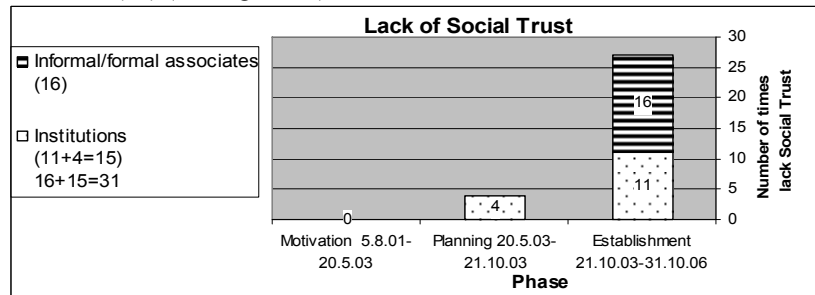
The occurrence of social trust was prevailing in the establishment stage amongst a significant social investor (9), compared to staff (5), the municipality- DHS (Dept. Human Services) (2), distributor (1) and landlord (1) (See Figure 18). This finding is not surprising given that social trust channels us towards emotional and physical support when establishing a business (Liao and Welsch 2001).

Figure 18



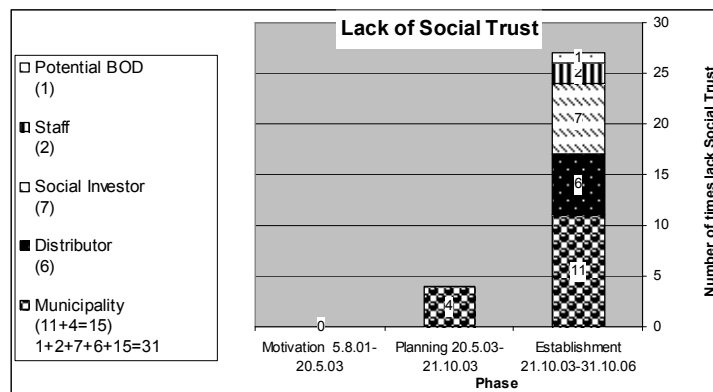
By way of contrast, a significantly higher incidence of lacking social trust (31) was observed to developing social trust (19), in terms of 1) motivation, 2) planning 3) and establishment phases of the enterprise (See Figure 19; Figure 18). Lack of social trust was experienced predominantly with informal/formal associates (16) compared to institutions (15) (See Figure 19).

Figure 19



Given that social trust is a medium of communication and an important measure of social capital, this observation implied that poor social capital network relationships existed both with informal/formal associates and institutions. Findings demonstrated that lack of social trust became more prevalent in the first year of the establishment stage, especially with a significant representative from the municipality-DHS (15), compared to a significant social investor (7), distributor (6), staff (2) and potential BOD (Board of Directors) (1) (See Figure 20). As early as in the planning stage, lack of trust was already apparent, due to a destructive long term relationship with a controlling power monger municipal- DHS employee (4) (See Figure 20).

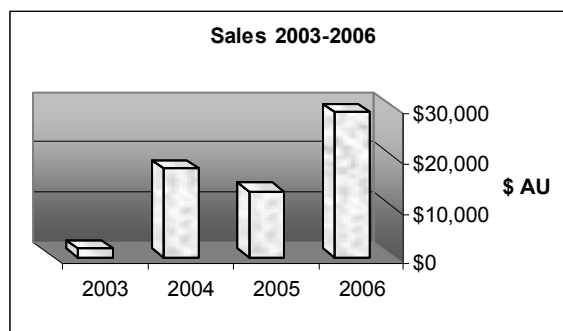
Figure 20



Hypothesis number 6 has been strongly supported, whereby a number of significant specific relationships based on the development of social trust, had a direct impact on the growth and sustainability of the enterprise in terms of 1) motivation, 2) planning and 3) establishment phases. These major players being: the social investor, craft distributor and municipal DHS representative.

The relational influence of the connection with the social investor and distributor were so significant, that they had a direct effect on sales. Once the not-for-profit ceased working with the distributor, new and more viable markets were assessed and consequently supplied (CLICK records 2006). This was demonstrated by a significant upsurge in sales in the first seven months of 2006, compared with the entire year in 2005 (See Figure 21).

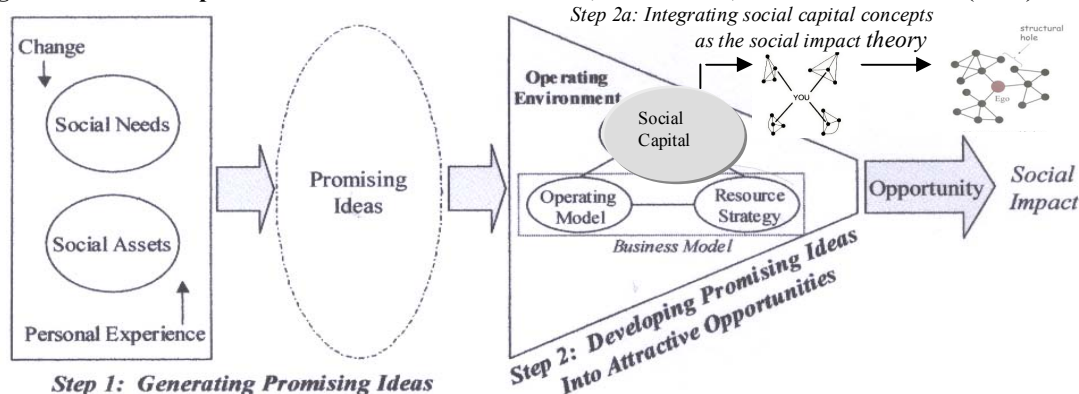
Figure 21



DEVELOPING AN ENTREPRENEURIAL BUSINESS MODEL

Findings from the six hypotheses demonstrated that enhancing CLICK'S venture, by accessing social capital links for information and resources, improved its overall performance. This is presented herewith, in figure 22, and portrayed initially in step 1, followed by step 2 of the Guclu, Dees, and Anderson (2002) model. The opportunity creation process involves converting an appealing idea into a worthwhile opportunity and then making it operable. The model then incorporates the value of resources available within communities, employing the new suggested additional step 2a, using social capital networks as the social impact theory, to provide a competitive advantage for the process of social entrepreneurship.

Figure 22 The Entrepreneurial Business Model - Mosek, after Guclu, Dees and Anderson (2002)



DISCUSSION

The not-for-profit environment has become a competitive and aggressive marketplace. Voluntary organizations nevertheless can compete in this cut throat setting, if they have sufficient stocks of social capital. This was demonstrated and supported in the CLICK research that revealed the critical influence of effective social networks on new venture creation.

Empirical research in the business sector demonstrated the need for different networks according to specific phases (Greve and Slaff 2003). Building on this proposition, the case study of CLICK concluded that all three categories of social capital *bonding, linking and bridging*, were important, at different stages of venture growth. Findings also suggested a number of theoretical issues, such as the significant importance

of extensive, distinct and diverse components of "weak" and "strong" (Granovetter's 1983), "redundant" and "non redundant" social capital networks and developing "structural holes" (Burt 1992); when developing social entrepreneurship, on a time line, in a not-for-profit organization. The implications being that social entrepreneurs should concentrate on brokering links in a dense network with "structural holes" (Burt 2000) and combining as much as possible diverse relevant resource and information rich "non-redundant" (Burt 1992), "weak" (Granovetter's 2002) linking and bridging ties into their individual social networks. This should be carried out predominantly by primary and secondary contacts in the establishment phase for obtaining information, and in the planning and establishment phase for attaining resources to reach sustainability and growth. In addition "redundant" (Burt 1992) "strong" (Granovetter's 1983) bonding capital contacts need to be fostered in all three stages of development for obtaining resources, also in the motivation stage of start-up and establishment phase for reliable information.

The structural role of networking can also be successfully expanded, by developing additional primary trustful contacts among staff and volunteers, who can develop their own cluster of "non-redundant" weaker tie secondary contacts (Burt 1992). The positioning of the entrepreneur in a social network structure, is also of extreme importance, whereby if in a focal position, the possibility for generating new ideas and having access to necessary resources will thereby be greater (Liao and Welsch 2001).

Linking capital sources for example, in the form of reputation or social status, should be cultivated in the planning stage, to secure initial seed money in preparation to be combined with bridging capital; that in turn provides necessary voluntary manpower in the establishment phase for the enterprise. Caution however should be taken not to "over-invest" in specific relationships of linking capital sources, thus becoming dependant on a specific contact, at the expense of developing ongoing new ones. This could be considered a potential pitfall of linking social capital. Bonding capital as well, should be accessed to secure a safe environment to explore business ideas and plans, to provide dependable and accessible support.

The networks gained need to be nurtured and developed into long term, frequently accessed ongoing secondary contacts, for daily support, and less frequent contacts for specific projects. Contacts thereafter, can be pooled together in order to enjoy sustainability and consistent growth. Emphasis should be placed on maintaining less, but more significant networks in the final phase of the establishment process.

The study of the CLICK case also illustrated how social capital correlates to the resources available within a community, as a result of the development of social trust according to developmental phases. Trust, an important indicator of social capital, is a central factor in securing physical and emotional support.

When testing the research question, the sustainability and profitability of the enterprise was significantly affected by the relational trust that was cultivated. Occasionally over-trust also developed, due to the humanistic components and interpersonal relationships among the players involved, affecting overall performance when developing social entrepreneurship.

The not-for-profit sector needs to consider the unit of analysis, comprising the role of the voluntary social network in the project. Bridging capital networks predominantly in the establishment stage provided an essential critical resource of volunteer manpower. This placed significant implications on the economic saving, as well as the general performance, sustainability and profitability of the enterprise. The well-being and satisfaction of these respective volunteers are extremely important essentials, needing to be maintained and encouraged, given the relevant influence on productivity and service delivery, obligation, commitment, diligence and identification to the overall mission building. This also affected the cognitive dimension of social capital that is described as a shared understanding between people within the network, such as a joint vision or goal (Liao and Welsch 2001).

The overall organizational culture and spiritual capital of staff and volunteers is also vitally important and worthwhile for an organization in which to invest. The relational trust with workers and the organization is fundamental, in forming a healthy and conducive work place for staff to share information and knowledge. In addition, high motivation and work satisfaction reflect on dependability, commitment, productivity and staff turnover, essential when managing a viable business enterprise. These trust elements can be leveraged by a not-for-profit to benefit overall venture performance.

The support identified for the six hypotheses and the endorsement of the unit of analysis as the role of the voluntary network in this CLICK case, requires that these results must be explainable in any model purporting to describe the social entrepreneurship process in the not-for-profit sector. In accord with Guclu, Dees and Anderson (2002) the venture originated from the private experience of the entrepreneur, in conjunction with social needs, social assets, and change. This is known as the generation of promising ideas in "the opportunity creation process" (Guclu, Dees and Anderson 2002). The conclusions and

recommendations discussed above have been incorporated into this process, asserting to describe a viable business model, when developing social entrepreneurship.

Drawing on social capital theory, which recognized that social networks facilitate new venture formation, this research additionally provided an understanding of the process and basis for an improved entrepreneurial business model in the third sector, emphasizing the need for distinctive dimensions of social capital for specific purposes, according to specific stages of development. Social capital concepts provided the conceptual theoretical framework for the eventual social impact.

The CLICK venture is yet in its early years, competing in an industry where a tremendous amount of knowledge gaining through trial and error still needs to transpire, to refine the business concept and growth strategy. Nevertheless breakeven is in sight, and the social value and social impact created to date have provided a satisfying return on investment. Hopes are therefore high and with the ongoing push from consistent and more significant networks, the CLICK enterprise has the potential to continue to thrive.

CONCLUDING REMARKS

Outcomes from this enterprise represent a step towards integrating literature and research, by demonstrating the importance of social capital to the study of social entrepreneurship.

While our hypotheses need to be further tested on a broader field of subject matter and industries, we fervently believe that the results demonstrate the merit of employing social networks, to enhance information and resource attainment, highlighting the value of social trust as an important influence on decision making. This study thereby compliments extant literature on social entrepreneurship and social capital, ultimately by presenting a prototype, from which other not-for-profits can learn and benefit, thus adding to the current pool of research on social capital theory and social entrepreneurship.

NOTES

ⁱ Social network occurrences have been defined by the incidence of new friendship relationships, social meetings among volunteers, feeling appreciated, respected, cared for, occupied and productive, coupled with improved mental well-being and intergenerational experience.

ⁱⁱ Social network occurrences have been defined by the incidence of increased volunteer participation and responsibility, influence in participation on productivity and service delivery, insight among different needs groups, intergenerational understanding, bonding and reciprocity between volunteer organizations, community support and community involvement in decision making and planning.

ⁱⁱⁱ Obtaining operational information has been defined as data pertaining to advice and support from contacts and professionals.

^{iv} Frequency has been defined as the incidence of a specific social network at a particular phase.

^v Length of time relates to the time period of the network contact.

^{vi} Motivation phase 1 commenced two years prior to the initiation of this study.

^{vii} Planning stage 2 was a short 5 month period that began five months prior to the start of this thesis. Given the duration of planning stage 2, the length of time of the contact cannot exceed the 5 month time frame.

^{viii} Obtaining resources has been defined as financial contributions, donations of physical items and volunteer activity.

^{ix} Frequency has been defined as the incidence of a specific social network at a particular phase.

^x Length of time relates to the time period of the network contact.

^{xi} Number relates to the number of social capital networks.

^{xii} Motivation phase 1 commenced two years prior to the initiation of this study.

^{xiii} Planning stage 2 was a short 5 month period that began five months prior to the start of this thesis. Given the duration of planning stage 2, the length of time of the contact cannot exceed the 5 month time frame.

^{xiv} Social trust has been defined according to various trust dimensions identified by Paine (2003), such as identification, dependability, honesty, satisfaction, reciprocity and commitment.

^{xv} Institutions have been defined as government organizations. The most significant government organization in the study was the local municipality, predominantly the Department of Human Services.

^{xvi} Informal/formal associates have been defined as key players, such as a social investor/donor, staff, distributor, land lord and Board of Directors.

^{xvii} Lack of social trust has been defined as lack of identification, lack of dependability, dishonesty, dissatisfaction, lack of reciprocity and lack of commitment.

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