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SOCIAL ENTERPRISE AND THE CAPABILITY APPROACH:
EXAMINING THE QUEST TO HUMANIZE BUSINESS

by

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ABSTRACT OF DISSERTATION

Social Enterprise and the Capability Approach:

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Social enterprise is an emerging form of business, yet there is no unifying definition for the concept. Much of the literature on social enterprise consists of conceptual research seeking to define it, limiting theoretical development in the field. This dissertation is the first large-scale empirical study that develops a universal definition for social enterprise. A total of 115 social enterprises throughout the United States are surveyed to examine their social, economic, and legal activities. Using the capability approach, a framework for viewing poverty in respect to multiple dimensions of human development, this study introduces the term social capabilities in reference to the services that social enterprises create to advance different aspects of human development. Data analysis techniques include descriptive statistics, Pearson Correlation Analysis, and grounded theory. Results reveal that the more revenue social enterprises generate, the more diverse types of social capabilities they create. In addition, a social enterprise's legal form influences its revenue sources, creation of social capabilities, and its institutional collaborations. Given the results, this research defines social enterprise as a social intervention that operates under any legal form, but uses commercial business activities to advance human development.

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Chapter I: Introduction

Background

Social enterprise is an emerging institutional form that is changing what it means to conduct business. The definition of business is the activity of making, buying, or selling goods in exchange for revenue. The goal of a business is to generate revenue for the economic benefit of its owners or shareholders. However, social enterprises differ from traditional businesses in that they possess social and economic goals. Though there is no standard definition for social enterprise (Austin, Stevenson, & Wei-Skillern, 2006), it involves businesses that are organized to both generate revenue *and* to alleviate social issues (Seelos, Mair, Battilana, & Dacin, 2011; Dacin, Dacin, & Matear, 2010; Mair & Marti, 2009; Mair & Marti, 2006; Seelos & Mair, 2005; Alvord, Brown, & Letts, 2004; Dees, 2001). The ambition of a social enterprise is to utilize business as a strategy for advancing human development.

Social enterprises achieve this ambition through a “dual bottom-line” approach to business. In business, the term “bottom-line” signifies the total on the bottom of a financial report that shows a business’ net profit or loss. The bottom-line determines whether or not business owners or shareholders will make a profit. A dual bottom-line structure, however, consists of a social and an economic mission (Austin et al., 2006). Stevens, Moray, & Bruneel (2015) suggest the social mission consists of creating “public goods” and the economic mission involves creating “private gain.” The social mission focuses on providing services, products, or developing organizations that address problems affecting people and society (Dees, 2001). The social mission involves identifying and alleviating root causes of social problems, making the business publically

beneficial. The economic mission involves generating revenue in an effort to sustain the social enterprise (Mair & Marti, 2006). Through this dual bottom-line structure, social enterprises aim to generate revenue that, at least in part, finances their social programs or interests.

Re-Nuble, a successful social enterprise in Washington, DC, exemplifies this dual bottom-line structure. Re-Nuble's social mission is two-fold in that it consists of reducing food waste and providing employment for low-skilled, ex-criminal offenders, who often have trouble obtaining employment. It reduces food waste by collecting food and plant waste produced by schools, food processing plants, churches, supermarkets, and wholesale food distributors, and turning it into organic fertilizer that is used for gardening, farming, landscaping, or converting into methane gas for energy. Re-Nuble fulfills its economic mission by generating revenue from creating and selling organic fertilizer, as well as through charging fees for food disposal.

Examples such as Re-Nuble have inspired support of social enterprise as an emerging institutional form. Diverse forms of institutional support for social enterprise has grown tremendously in recent years. Academic programs that train aspiring social entrepreneurs have developed at most prestigious universities and many other educational institutions around the nation (Wexler, 2006). Marketing and funding organizations like Doing Good Works and Grantspace.org, respectively, have been created to facilitate social enterprise operations. Government offices have developed resource and informational opportunities at the local (Korosec & Berman, 2006), state (New Jersey Office of Faith-Based Initiatives, 2016), and federal level (White House, 2016).

Furthermore, legislative efforts geared towards legitimizing social enterprise as a field have been employed at state and federal levels. Since 2008, five types of state-level social enterprise laws have been passed in the United States including the: Benefit Corporation; Low-Profit Limited Liability Company; Flexible Purpose Corporation (now repealed); Social Purpose Corporation; and the Benefit Limited Liability Company. Each types of law enables social enterprises to operate as for-profit businesses engaging in activities that foster human development. In just nine years, thirty-six of the 50 United States have passed some form of social enterprise legislation.

In addition, the Social Enterprise Ecosystem and Economic Development Commission Act (SEED Commission Act) was introduced to the United States Congress in 2013. The bill sought to establish a federal commission that identifies, researches, and measures the impact of social enterprises. While Congress did not pass the original bill, an amended bill called the Bipartisan SEED Commission Act of 2016 was introduced to Congress in September 2016 (Cicilline.gov, 2016), but it was also not passed (Civic Impulse, 2017).

The advent of social enterprise and the institutional support systems seeking to advance the field illustrate a quest to humanize business. In a TED Talk viewed almost 1.5 million times, Harvard Business School Professor Michael E. Porter suggests businesses may be the best institutional form for combating social problems. Though businesses traditionally focus on creating economic value for their shareholders or owners, and have been the cause of various societal issues (e.g. inequality), Professor Porter argues that businesses are the only institutions that create wealth and value. Other scholars refer to such ideas as conscious capitalism (O'Toole & Vogel, 2011), as they

suggest businesses can make a conscious effort to foster positive social change (Stephan, Patterson, Kelly, & Mair, 2016). Social enterprises are one example of such businesses, however the term social enterprise lacks a consistent definition, making it difficult to empirically explore (Hoogendoorn, Pennings, & Thurik, 2010). As a result, there has been a lack of theoretical development in social enterprise literature. Little information is available on what social enterprises do, how they do it, and whether or not they are successful at achieving their goals.

This dissertation is an exploratory empirical study that takes a small step towards advancing knowledge about social enterprise. The overarching goal of this study is to answer the question: What is social enterprise? After analyzing the social, economic, and legal operations of social enterprises throughout the United States, I define social enterprise as a social intervention that operates under any legal form and utilizes business to advance human development. Social enterprise is a social intervention because it exists to deliberately and consistently address issues affecting social welfare (Opt & Gring, 2008). Social enterprises use commercial business activities to: 1) sell goods and services that are socially beneficial and/or 2) create or promote organizations, programs, or activities that foster human development.

Theoretical Framework

There are two main theoretical concerns underpinning this dissertation. The first pertains to institutional arrangement. Social enterprise scholars debate whether the emergence of social enterprise stems from institutional voids or institutional support.

Institutional voids theory suggests that absent and/or weak institutional arrangements prevent poor people from addressing their basic human needs (Mair & Marti, 2009; Seelos & Mair, 2005). Traditionally, the American institutional arrangement has consisted of governmental organizations, private businesses, and nonprofit organizations that each operate to meet diverse human needs. However, institutional voids theorists suggest the persistence of pressing societal problems has resulted in institutional voids because there are no institutions that adequately address the needs of the poor.

Institutional voids theory relates to structuration theory in the idea that institutions exist to meet specific human needs. Structuration theory specifically suggests people organize through institutions (structures) that enable them to function in a particular manner (Giddens, 1979; Mair & Marti, 2006). Research on social enterprise suggests it is an institutional form that aims to alleviate poverty-related social problems. Specifically, social enterprise is a social intervention that addresses issues unmet by other institutions. According to Mair & Marti (2009), social enterprises are capable of filling institutional voids due to their social and economic organizational structure.

Institutional support theorists, on the other hand, assert that social enterprises are mainly created in contexts where there is an abundance of government-related institutional support for social programs (Terjesen, Bosma, & Stam, 2015). They argue that social enterprise activity is higher in communities where government and general business support is strong (Stephan, Uhlaner, Stride, 2015). Thus, government is a partner to social enterprise in their mission to address social issues. Institutional voids theory differs in that it asserts government and other institutions are unable or unwilling to meet existing social needs.

While empirical research reveals there is truth in both theories, my findings have led me to introduce *institutional sufficiency theory* as an alternative explanation for the institutional contexts where social enterprises emerge. Institutional sufficiency theory suggests social enterprises develop in contexts that have substantial human need, as well as the opportunity to acquire resources that social enterprises may utilize to combat them. Social enterprises need a foundation to develop and grow, but they also require a human need to address. I believe that distressed communities, those that lack resources, are unlikely to attract and retain social entrepreneurs despite their dire needs. If they do, they will most likely operate as or with a nonprofit organization that may attract external resources from donors because the local economy limits revenue generation opportunities. Similarly, affluent communities have resources, but little needs for social entrepreneurs to address. In essence, institutional sufficiency theory argues that the hybrid structure of social enterprise calls for a hybrid context for its operation. Social entrepreneurs need serious issues to address *and* the resources necessary to address them.

In this dissertation, I explore institutional voids, institutional support, and institutional sufficiency theories. Specifically, I examine activities, including institutional collaborations, that social enterprises engage in to fulfill their social and economic bottom-line. *Economic value* is the term used to indicate social enterprise financial activities. I define economic value as the private financial gain of a business. It may consist of revenue generated or saved (e.g. tax breaks; voluntary labor) by the business that contributes to its operation. It is measured by assessing revenue generated from making, buying, or selling goods, or receiving investments, grants, or donations. Other economic value indicators include money saved by the business through exemption from

financial payments such as tax breaks, tax incentives, or resource-based donations. This definition is consistent with Mair & Marti (2009)'s assertion that the goal of economic value creation is to foster the financial sustainability of a social enterprise.

The term used in social enterprise literature for describing activities related to the social mission is *social value*. No universal definition exists for social value (Austin et al., 2006), however it usually indicates activities related to the advancement of social welfare/human development. There are many theoretical debates about how social value should be measured. In practice, social value measurement tools like the Social Return on Investment (SROI) (Bengo, Marika, Giovanni, & Mario, 2016; Lingane & Olsen, 2004) and Social Accounting and Audit (SAA) (Gibbon & Affleck, 2008) are popular. Yet, such tools tend to focus on organizational (social) outputs as opposed to the human impact in terms of beneficiaries (Kato, Weaver, & Ashley, *forthcoming*; Gibbon & Dey, 2011). Furthermore, they do not capture the variety of social issues social enterprises target and address. This issue prevails in academic research as well.

Academic research on social value creation often discusses it as unidimensional. With the exception of Mair & Marti (2009) and Stephen et al. (2016), social enterprise literature rarely recognizes the reality that different social value creation techniques advance human development in diverse ways. Thus, the second theoretical concern of this research pertains to re-conceptualizing social value creation. I propose the capability approach be used to re-conceptualize social value and impact in social enterprise literature because it focuses on the multidimensionality of human needs.

The capability approach is a theoretical framework that asserts human development is multidimensional as opposed to viewing it in terms of income or

happiness alone. It suggests dimensions of human development consist of factors that enable people to achieve their life goals and to meet their basic human needs like health, meaningful social relationships, or political participation. The approach was developed by economist Amartya Sen in the 1980s in an effort to guide policies, programs, and evaluations pertaining to human development (Sen, 1993; Sen, 1992). Sen argues that quality of life is more multifaceted than income or utility-based measures can capture. Viewing human development in terms of wealth, for example, cannot account for medical issues that limit a person's opportunity to engage in activities of value to him/her. Thus, Sen argues that life may be enriched or deprived in various ways.

Sen uses the terms capabilities and functionings to distinguish between the opportunities that enable people to achieve their goals and the actual achievement of their goals. Capabilities, also referred to as human capabilities, are the available opportunities for people to achieve what they desire and need. For example, having access to quality secondary educational opportunities is an example of a human capability. Obtaining secondary education, on the other hand, is an example of a functioning (Sen, 1992). Functionings are human achievements. The distinction between capabilities and functionings conveys that opportunities are a means (e.g. receiving employment training) to an end (e.g. obtaining employment). Opportunities may be provided by individuals themselves, social groups, government, or other institutional forms (Sen, 1992). As such, Sen argues that social interventions should provide or consider opportunities that enable people to receive what they need and desire.

In his original introduction of the capability approach, Sen did not outline core human capabilities because he felt capabilities were relative rather than universal. He

suggests communities should create their own list of core capabilities (Sen, 1992). However, philosopher Martha C. Nussbaum, another pioneer of the approach, felt a central list of human capabilities would guide policies and programs in applications of the capability approach (Nussbaum, 1997). Nussbaum's list of central human capabilities (see Appendix A) represents a minimal level of human entitlement (Nussbaum, 2004). She asserts that the list should be applied to global development goals. Sen and Nussbaum's way of thinking about, essentially, economic development may be referred to as "development theory-practice" (Crocker, 1992).

Sen and Nussbaum's perspective on human development differs from how it has been understood and examined traditionally. Stanton (2007) explains that the history of the Human Development Index (HDI)¹ has seen three revolutions: the marginalist revolution; the ordinalist revolution; and the humanist revolution. The marginalist revolution viewed money as a "measuring stick" for social welfare. The ordinalist revolution thought income should be equally distributed throughout the population. Lastly, the humanist revolution focused on John Rawls' work from "A Theory of Justice." This work distinguishes well-being as the possession of "social primary goods" or things that rational human beings need or desire (Rawls, 1971). Stanton (2007) suggests Sen and Nussbaum were inspired by Rawls' work in regards to their development of the capability approach. Their emphasis on understanding and meeting human needs and desires is now the foundation of the HDI.

As *the* framework for viewing human development, the capability approach has been adopted by various institutions, countries, and scholars. In 2004, the Human

¹ The Human Development Index (HDI) is a summary measure of the average achievement across multiple dimensions of human development for countries throughout the world. It was created by the United Nations Development Programme. More information may be found on the HDI in United Nations Development Programme (2017).

Development and Capability Association (HDCA) was established to expand the framework throughout society (Nussbaum, 2007). HDCA provides resources and facilitates collaboration of researchers seeking to advance human development. In 2007, Great Britain established the Equality and Human Rights Commission (EHRC). The EHRC monitors and promotes human rights and equality throughout Great Britain, Scotland, and Wales (Burchardt & Vizard, 2011; Vizard & Burchardt, 2008). Similarly, the French government created the Commission on the Measurement of Economic Performance and Social Progress (Stiglitz, Sen, & Fitoussi, 2009). The commission asserts that economic development should be measured by the multiplicity of factors influencing it, not by GDP alone (Stiglitz et al. 2009). Furthermore, Stiglitz, Sen, & Fitoussi (2009) outline several basic human capabilities that should be considered by such organizations and other assessments. These organizations are a few of the several created in recognition of the value of the capability approach as a multidimensional framework for viewing human development. The capability approach provides a richer understanding of human needs and desires than traditional views that overestimate the value of material goods and wealth (Gasper, 2002; Bourguignon & Chakravarty, 2003; Gasper, 2004).

The capability approach is particularly appropriate for examining the social activities of social enterprises. Nussbaum (2004) contends that institutions are the most suitable medium for allocating and advancing human capabilities for three reasons. First, institutions connect and organize people around specific causes. Through institutions, people may delegate how human capabilities are dispersed. Second, institutions provide a fair context for distributing human capabilities. They allow people from all backgrounds

to promote human capabilities as opposed to those who just have the means or inclination to promote them. Lastly, allowing institutions to promote human capabilities enables individuals to balance their personal life and moral philosophies. Nussbaum (2004) suggests that, for their own well-being, people should not be consumed by individually attempting to promote human capabilities.

In addition, Scarlato (2013) suggests that social enterprises, in particular, are a medium for disseminating human capabilities. Scarlato (2013) analyzes a national plan in Ecuador aimed at advancing quality of life through the development of social enterprises. The author finds that social enterprises disseminate capabilities through their services, potentially fostering functionings.

Given the suitability of using the capability approach in social enterprise research, I apply the approach in this dissertation to explore social value creation. However, I introduce the term social capabilities as a replacement for the term social value. I define social capability as an opportunity created through social enterprise services or programs that seeks to advance human well-being. In case of social enterprise, an opportunity is a distributed to a beneficiary through a service or product (Appendix B outlines the indicators used for measuring social capabilities and other key variables). I use Nussbaum (2004)'s central list of central human capabilities as a guide for developing my list of central social capabilities (in Appendix C), which that is relevant to directors of social enterprises (see also Kato, Weaver, & Ashley (*forthcoming*)). To illustrate the informational usefulness of re-conceptualizing social value in terms of the capability approach, I provide below an example of how it may apply to the work of an existing social enterprise.

The Women's Bean Project is a successful social enterprise in the United States that sells gourmet soups, beans, and other food products, as well as handmade jewelry. It hires low-income women to work in a 6 to 9-month transitional employment program that aims to develop their life skills in an effort to increase their economic self-sufficiency (Women's Bean Project, 2014). In doing so, it seeks to create social value by providing opportunities that address chronic unemployment, recidivism, and welfare dependency among low-income women (Women's Bean Project, 2017). However, if the organization were to re-conceptualize social value as social capabilities, they may identify additional implications of their social programs. After reviewing their work through the lens of the capability approach, I speculate their work may influence human needs, other than those they report, such as: emotional well-being; life-planning; social relationships and sense of inclusion; opportunities for recreation (e.g. through friendships and increased income); and acquisition of property (e.g. housing and transportation). Because the capability approach views human development as multidimensional, it would take into account the aforementioned dimensions of human development that may also be influenced by The Women's Bean Project's social programs.

My goal for introducing the term social capability is to emphasize that I view social value through the lens of the capability approach. Specifically, I assert that social enterprise social services and (socially beneficial) products essentially produce opportunities for addressing various human needs. I group the social capabilities into four themes in an effort to outline core areas of human need that social enterprises address. The four themes are: social mobility; social, political, and environmental engagement; health and human security; and self-expression and social relationships.

In conclusion, the two theoretical concerns guiding this research pertain to the institutional arrangement where social enterprises emerge and social value creation. To examine institutional arrangement, I explore the relationship between how social enterprises generate revenue and how they attend to human needs. In doing so, I examine whether the institutional arrangement social enterprises emerge in aligns with institutional voids theory, institutional support theory, or institutional sufficiency theory. In regards to social value creation, I view social value creation as the creation of social capabilities. The number and types of social capabilities that social enterprises create is a major focus of this study because it relates to how they seek to advance human development.

Problem Statement

An increasing number of academics, business executives, legislators, and funding agencies see social enterprise as a tool for advancing human development. However, limited empirical research has been conducted to explain: 1) what issues they address, 2) what social and economic techniques they use to address them, and 3) whether or not their techniques are effective. This dissertation addresses the first and second problems, but it does not analyze the impact of social enterprises. The remainder of this section outlines the rationale behind my research strategy.

First, few studies explore the types of social issues targeted by social enterprises, particularly in the United States. Most of the research on social enterprise consists of case studies that take place outside of the United States. For example, Mair, Battiliana, & Cardenas (2012) find that social enterprises target issues related to the economy, civic,

engagement, law and rights, and the environment. The authors asserted that social enterprises seek to advance different forms of capital: political; human; social; and economic, however, there is no explanation for how their activities relate to basic human needs. A practitioner study by Wongtschowski (2015) applies the capability approach to explore different social capabilities that social enterprises in Asia aim to foster. Results indicate that social enterprises target some social issues more than others.

Wongtschowski (2015) suggests social enterprises tend to create opportunities for income generation, health and nourishment, education, the avoidance of unnecessary pain, and for the enjoyment of recreational activities more than issues related to politics, law, and the environment. However, the focus on Asia limits generalizability of the results to the United States.

In my literature review, I only found two studies that examine the social issues that social enterprises target in the United States. In a practitioner survey of 200 social enterprises throughout the nation, The Social Enterprise Alliance (2012) finds that social enterprises operate in eight main industries. Similarly, Bacq & Eddleston (2016) identify nine fields of work where social enterprises operate. However, neither study relates to how social enterprises attend to specific human needs. While preparing for this study, I found 2,423 social enterprises listed in social enterprise directories in the United States, yet little is known about the issues they target.

Second, there is limited knowledge regarding the social and economic techniques social enterprises use to combat social issues. In general, social enterprise literature does not explore economic value creation techniques in detail, which may be due to an assumption that knowledge about how businesses generate revenue already exists/is

understood. However, because social enterprises can take different legal forms, economic value creation may influence how social enterprises address different social issues. For example, Teasdale (2010) proposes that issues related to social inclusion may be best met by nonprofit social enterprises, while employment-related issues may be best addressed by for-profit social enterprises. Little empirical research exists, however, on the relationship between economic value creation and how social enterprise aim to address social issues to test Teasdale (2010)'s proposition.

Purpose Statement

The purpose of this research is to contribute to practice, research, and policy on social enterprise. The central driving this study is: "What is social enterprise?" There are also two sub-questions that serve as a guide to answer the central research question. Each question and the hypotheses underlying them are provided below:

Central question

- 1) What is social enterprise?

Sub-questions

- 2) What is the relationship between economic value and social capabilities?
- 3) How does the legal form of a social enterprise influence its creation of economic value and social capabilities?

The hypotheses for these research questions are:

- 1) Social enterprises are a social intervention that can operate under any legal form, yet utilizes commercial business activities to advance human development.
- 2) Economic value creation positively relates to social capability creation.
- 3) Legal form influences social enterprise revenue sources, creation of social capabilities, and types of institutional collaborations in the sense that:
 - a. For-profit social enterprises are more likely to generate earned-income than nonprofit social enterprises.
 - b. Nonprofit social enterprises create more social capabilities than for-profit social enterprises.
 - c. For-profit and nonprofit social enterprises collaborate with different types of institutions and for different purposes.

Significance of Study

Findings from this study will contribute to research, practice, and policy on social enterprise. A good deal of the literature on social enterprise focuses on defining the concept (Granados, Hlupic, Coakes, & Mohamed, 2011; Hoogendoorn et al., 2010), but still no universal definition exists (Bacq & Janssen, 2011). A study by Dacin, Dacin, & Matear (2010) highlights this issue by outlining 37 different definitions for explaining social entrepreneurship in academic articles. Some definitions focus on the work of government and nonprofit organizations that use commercial activity to address social issues. Other definitions emphasize the unique characteristics of social entrepreneurs.

Another group of definitions focus on the use of commercial business activity to address social issues in general.

The lack of a consistent definition of social enterprise is in part because the majority of definitions emerge from case studies or examples of successful social enterprises (Bacq & Janssen, 2011). No large-scale empirical study on social enterprise examines their characteristics in an effort to understand and define them. This study seeks to address definitional issues within the field by surveying social enterprise directors throughout the United States. Definitional issues are of paramount importance to theoretical development in field and the overall practice of social enterprise, as the phenomenon is increasing throughout the United States (Terjesen, 2017), and the world (Lepoutre, Justo, Terjesen, & Bosma, 2013).

Assumptions and Limitations

My research questions are founded upon several assumptions. First, they assume there is a relationship between techniques for advancing social capabilities and techniques for producing economic value. Techniques are not viewed as occurring haphazardly, but as a strategic and deliberate choice of a given social enterprise. Second, the legal form social enterprises take is also viewed as a strategic and deliberate effort. Legal form enables social enterprises to achieve their dual mission, which may be particularly true for social enterprises that convert from one legal form (e.g. Limited Liability Company) to another (e.g. Benefit Corporation) over time.

Lastly, I assume that factors such as the legal form social enterprises take, the techniques they utilize for economic value creation, and types of social capabilities they

advance are all a part of their (a given social enterprise) strategy to advance human development. For instance, a for-profit social enterprise may strive to continuously generate revenue in an effort to provide sustainable (non-third-party dependent) funding for projects that address particular human needs. Similarly, nonprofit social enterprises may desire the non-distribution constraint to protect against issues such as mission drift and shareholder primacy. Legal form and creation of economic value and social capabilities, thus, may be a strategic endeavor to fulfill unmet social issues deemed important to a particular organization.

While these assumptions guide my research, several limitations hinder my ability to fully expound upon them all. One limitation is that this study does not explore social impact, though it sets the foundation for such study in the future. Specifically, findings from this research provide an overview of how social enterprises advance social capabilities and economic value, as well as insight regarding the total number of beneficiaries they serve annually.

Another limitation is that this research does not explore the underlying reasons behind how social enterprises choose their legal form, which is important for understanding its influence on their creation of economic value and social capabilities. Many social enterprises are designed to be nonprofit or for-profit organizations. However, many convert their legal form to engage in activities that have social and economic goals (Page & Katz, 2010). This study contributes to theoretical development about the influence of legal form on the dual mission of social enterprises. However, it does not uncover information about strategic and deliberate decisions for choosing social

enterprise legal form. Despite some limitations, this research answers pressing questions regarding social enterprise activities.

Definition of Key Terms

Constructed social enterprise. A business originally designed to be a social enterprise in that it was, at the time of formation, designed to specifically achieve both social and economic goals.

Converted social enterprise. A for-profit business or nonprofit organization that converts to social enterprise activities and/or a social enterprise legal form. A converted social enterprise originally had solely an economic or social mission at the time of incorporation, but now has both.

Economic value. Private financial gain for a social enterprise that derives from revenue generated or saved (e.g. tax breaks) by the business that contributes to its operation and sustainability.

Institutional voids theory. The theory that poverty-related social issues exist in a given context because institutions are too weak or have no desire to address them.

Institutional sufficiency theory. The idea that social enterprises are created in contexts where they may sufficiently achieve their social and economic goals.

Mission drift. When the activities of an organization differ from its original mission. The term usually applies to social enterprises that directly or indirectly prioritize their economic mission over social mission.

Social enterprise. Businesses that deliberately aim to address social issues affecting human development. The term social enterprise may also refer to the field overall (e.g. several types of laws have been passed to foster social enterprise in the United States).

Social entrepreneurship. The process of using business to address to social problems or issues.

Social entrepreneur. The organizational leader and/or founder of a social enterprise.

Social capability. An opportunity pertaining to the advancement of human well-being. The opportunity may come in the form of a service or program offered by a social enterprise. Dimensions of social capability relate to Nussbaum (2004)'s list central human capabilities, which was used to develop the list of central social capabilities that this study introduces.

Social output. The number of beneficiaries that social enterprises provide social capabilities to during a given time period (e.g. annually). Depending on the social enterprise, social output may be the number of people purchasing socially beneficial products or participating in a social program.

Chapter Outline

My dissertation is structured as follows: Chapter I provides the introduction and overview of this research project. Chapter II provides a conceptual framework that discusses the development of social enterprise in the United States. The conceptual

framework also provides background information on the capability approach and presents a literature review of its empirical applications. Chapter III introduces the research proposal, questions, and the methodology for answering these research questions.

Chapter IV outlines the findings of this research. Chapter V provides the discussion and conclusion of this research. It also provides implications for future research, practice, and policy. Research instruments and guiding materials are provided in the appendices.

Chapter II: Literature Review

This chapter is a literature review that expounds upon major concepts influencing the practice of social enterprise in the United States. The chapter begins with a description of the literature search process. It then provides an overview of the contextual background that led to development of the United States social enterprise sector. Next, there is an explanation and comparison of institutional voids, institutional support, and institutional sufficiency theories. The following section explains the concept and strengths of social capabilities as an alternative to the term social value. The following section describes the purpose of economic value in sustaining social enterprise.

Development and progress of social enterprise legislation is then discussed in an effort to outline its role in legitimizing the sector. The last section is a literature review of empirical research on social enterprise. Empirical research on the constitutional factors that distinguish social enterprises as institutions are explored. The chapter concludes with a summary of the major points made in this literature review and a justification of the significance of this study.

Search Description

A preliminary search using mainly online databases was conducted to identify relevant literature regarding the major concepts in this research. Online databases include Google Scholar, EBSCO, Google, and the Rutgers University index and database system that searches multiples indexes and databases simultaneously. Several combinations of the following keywords were used: social enterprise; social entrepreneurship;

entrepreneurship; institutional voids theory; institutional support theory; social enterprise law; social value; economic value; and capability approach.

Once relevant literature was obtained, I engaged in the three-step process of citation tracing, concept saturation, and results mind-mapping (Pachego-Vega, 2016). This process enabled me to ensure I read all seminal and key pieces of literature pertaining to my research and placed necessary boundaries on my search. Citation tracing involves reviewing citations and the relationships among citations of prominent articles within my field, enabling me to develop a deep understanding of how similar scholars were writing about the concepts in this study.

Concept saturation is when the same research appears in database and author citation searches. Pachego-Vega (2016) borrowed the term from qualitative research in an effort to highlight the point in a literature review when a scholar has perused all relevant literature. Lastly, results mind-mapping involves creating a map of all results from literature searches on each concept and meticulously examining how they connect. I completed this task by hand using a large white board. It enabled me to recognize gaps within the literature and to understand the trajectory of research on each major concept.

The collection of research in this review spans from 1993 to 2017. It comprises fields such as business, community development, economics, human development, public policy, and law. This review also includes two literatures reviews, one that explores empirical research on social enterprise and another that examines empirical studies on the capability approach. I also outline the history of social enterprise as a field.

Conceptual Framework

History of Social Enterprise

In the United States, social entrepreneurship, the process of using business to attend to social problems, developed in the 1970s when nonprofit organizations started engaging in commercial activities as a result of decreasing opportunities for federal funding (Kerlin, 2006). In the 1960s, President Lyndon B. Johnson's Great Society programs led to large federal investments in nonprofit organizations (Kerlin, 2006). Nonprofit organizations began to rely on such investment to provide their services. However, federal funding to nonprofit organizations started decreasing in the late 1970s and 1980s, resulting in a \$38 billion decrease in federal investment for nonprofit organizations outside of the healthcare industry (Salamon, 1997). Social enterprises developed in response to these cutbacks. Specifically, nonprofit organizations started engaging in commercial business activities (e.g. selling products or charging fees for services) in order to cover their operational costs. From 1977 to 1980, 40% of nonprofit social service organizations generated income from commercial activities (Salamon, 1997). By 2001, nonprofit organizations involved in revenue generation brought in over \$48.8 billion in revenue annually (Alter, 2007).

By the 1990s and early 2000s, institutional support for social enterprises started to increase (Kerlin, 2006). Various institutions worked to develop networks for social entrepreneurs, business competitions, seed funding (early stage grant) programs, and accelerator (social enterprise business creation) programs. Advocacy organizations also worked to develop set-aside state and federal contracts like the Javits-Wagner-O'Day Act that requires goods and services to be purchased from rehabilitation programs employing

the disabled (Corning, 1991). Universities like Louisiana State University - Shreveport and the Yale School of Management started hosting seminars and workshops to support local social enterprises (The Institute for Social Entrepreneurs, 2008). In 2002, the Social Enterprise Alliance, America's leading social enterprise network, was created. The network has approximately 900 members to date.

By the mid 2000s, an increasing number of organizations developed to specifically operate as social enterprises – businesses with a social and economic bottom-line. They incorporated as for-profit businesses, nonprofit organizations, or a hybrid of both organizational forms. Wexler (2006) suggests the increase in social enterprise was sparked from changing philanthropic goals among entrepreneurs, technological innovation, and growing interest in developing countries where many social enterprises work. However, the hybrid nature of their activities led to legal and administrative hurdles. Both nonprofit and for-profit social enterprises faced legal, administrative, and operational challenges. Nonprofit organizations endured the unrelated business income tax (UBIT) because their commercial activities did not connect with their mission. Shareholder primacy, limited for-profit businesses from prioritizing their social mission.

The legal, administrative, and operational challenges faced by social enterprises sparked a movement to create social enterprise laws. Since 2008, the following five types of state-level laws have been created: Low-Profit Limited Liability Company (L3C); Benefit Corporation; Social Purpose Corporation; Benefit Limited Liability Company; and The Flexible Purpose Corporation (now repealed). Each law enables social enterprises to operate as for-profit businesses that prioritize social impact in addition to

economic value. At least one of these types of laws is currently active in thirty-six of the nation's fifty states.

In addition to state-level laws, there have been several attempts to pass federal legislation in an effort to advance social enterprise as an emerging organizational sector. In 2013, the Social Enterprise Ecosystem and Economic Development Commission Act (SEED Commission Act) was introduced to Congress. The SEED Commission Act would create a two-year national commission that identifies and evaluates social enterprises throughout the United States (GovTrack.us, 2015; Cicilline, 2013; Social Enterprise Alliance, 2013). The commission's first year would involve establishing criteria for identifying social enterprises. The second year would focus on reporting findings to the public. Essentially, the bill would extend services of the Small Business Administration (SBA) to include an office of social entrepreneurship (Westaway, 2012). It would also designate a federal commission to define, identify, and research social enterprises throughout the nation (Cicilline, 2013).

Rhode Island Congressman David Cicilline introduced the bill to Congress in May 2013, but it was not passed. Little information on the decision exists so I conducted a brief phone interview with Kelly Ramirez, the CEO of the Social Enterprise Greenhouse, a social enterprise accelerator in Rhode Island. According to Ms. Ramirez, who worked alongside Congressman Cicilline to champion the bill (Cicilline, 2014), the bill was not passed due to a lack of bipartisanship. The bill was reintroduced in September 2016, but again failed to pass. While Ms. Ramirez did not state their reservations about the 2013 bill, they may be linked to criticisms about social enterprise in general.

There are three critiques of social enterprise as a field. The first critique is the lack of a consistent definition for the terms “social enterprise” and “social entrepreneurship.” Both terms are often used interchangeably. Social entrepreneurship indicates the *process* of using business to fight social issues. Social enterprise is the *organization or business* through which social entrepreneurship occurs. While these factors are consistently included in most definitions, there are conflicting ideas about what kinds of social issues are addressed, techniques used to address them, and their target beneficiaries. For instance, empirical studies have found that social enterprises target diverse beneficiaries and combat a variety of social problems (Mair, Marti, & Ventresca, 2012; Social Enterprise Alliance, 2012). However, successful social enterprise leaders such as REDF define social enterprises as businesses that provide employment opportunities for people who face barriers to employment (Maxwell et al., 2015; REDF, 2014). These examples of different definitions have inspired skepticism of the field from some academics, potential investors, and consumers.

The second critique is the lack of empirical evidence regarding the impact of social enterprise. As aforementioned, empirical research in the field is limited. Only five studies on social enterprise impact were found in this literature review. Each study focuses on the impact of social enterprise in regards to social hiring, which refers to providing jobs to people that face barriers to employment (Walk, Greenspan, Crossley, & Handy, 2015; Akingbola, 2015; Maxwell et al., 2015; REDF, 2014; Ferguson & Islam, 2008). While these findings provide support for using social enterprise for social hiring purposes, there is little evidence about their impact on combating other types of social issues. Similar to criticism about the lack of definition, the paucity of research on social

enterprise impact has sparked skepticism about its value. The lack of definition for social enterprise and research on its impact go hand in hand. Without a proper definition, social enterprise activities cannot consistently be measured.

The third common critique of social enterprise involves the idea that capitalism cannot solve social issues because it inherently creates them. Critics including scholars, policymakers, and business consultants suggest the capitalistic nature of social enterprise leads to inequality. The revenue-generation focus of social enterprises makes them liable to overly emphasizing economic value. This may be particularly true of for-profit social enterprises that lack external regulation and accountability structures (Ebrahim, Battilana, & Mair, 2014).

In addition to criticisms regarding social enterprise as a field, there are also critiques of social enterprise laws (hybrid laws). The most consistent critique of hybrid laws is their lack of regulation. Reiser (2013) examines three common types of hybrid laws – the L3C, B-Corporation, and the FPC. Each type of law enables social enterprises to operate as for-profit businesses and to engage in socially beneficial activities. However, their social bottom-line is self-enforced by their governance boards in that there is no external penalty (e.g. taxation) for noncompliance. Some scholars suggest this accountability structure makes social enterprises vulnerable to mission drift (Ebrahim et al., 2016). However, despite the criticisms social enterprise has faced and the non-enactment of the SEED Commission Act, the field has seen substantial governmental support in recent years.

Federal, state, and city government offices have employed various techniques to support social enterprise. In 2009, the Obama Administration created the Office for

Social Innovation and Civic Participation. The office offers various social enterprise competitions, grant opportunities, and technical support resources (White House, 2016). At the state level, the New Jersey Office of Faith-Based Initiatives offers two landmark programs - the Social Entrepreneur and Enterprise Development Project and the Social Innovation Grants (New Jersey Department State of Office of Faith-Based Institutions, 2016). These programs provide funding and training opportunities to social entrepreneurs in New Jersey. Lastly, Korosec & Berman (2006) reveal three ways municipalities aid social enterprises including by: 1) supporting the implementation and coordination of their activities, 2) providing social enterprises financial and non-financial resources, and/or 3) spreading awareness about their work.

In addition to an increase in government support, contemporary social enterprise shows signs of an optimistic future. Social enterprises like the Roberts Enterprise Development Fund (REDF), who financially invests in other social enterprises, have received multi-million-dollar government grants to advance their work. Etsy, an online marketplace, became the first social enterprise to become a publically traded company in 2015 and is valued at \$1.8 billion. In addition, various institutions and initiatives have developed to create a social enterprise ecosystem. Accelerator programs that train aspiring social entrepreneurs have grown in recent years (Lall, Bowles, & Baird, 2013; Casanovas & Bruno, 2013). These programs seek to prepare generations of social entrepreneurs to run strong social enterprises. Funding initiatives including social impact bonds (pay-for impact) (Warner, 2013; Westaway, 2012) and designated grant funds seek to fund existing and new ventures. Consulting and advocacy groups have successfully

advanced state legislation and are pushing for federal legislation. The practice of social enterprise appears to be enthusiastically increasing.

Growth in the practice of social enterprise is complemented by an increase in research, though the field is still in its infancy. Literature reviews have indicated a significant growth in academic publications over the past twenty years. Granados et al. (2011) reports that social enterprise and social entrepreneurship articles increased significantly in 2005 and skyrocketed after 2010. However, all social enterprise literature reviews assert there is limited empirical research in the field (Hoogendoorn et al., 2010; Short et al., 2009). Lack of empirical research hinders theoretical development that may inform practice and policy in this emerging field.

Social enterprise has grown from being a reaction to governmental budget cuts to becoming a multi-billion-dollar organizational sector. Its potential as an economic development tool has led to support from governmental agencies, academia, foundations, and advocacy groups. However, shortcomings regarding its definition, impact, and efficacy have sparked skepticism. By exploring the legal form, economic value creation, and social activities of social enterprises throughout the United States, this research study aims to deepen understanding about its value as a tool for advancing human development.

Social Enterprise in the United States

Social enterprise emerged in the United States in reaction federal budget cuts to the nonprofit sector, which essentially can be considered an institutional void. Institutional voids are lack or an unwillingness of existing institutions to provide opportunities that help the poor meet their basic needs (Mair & Marti, 2009). Financial

cutbacks in the 1960s increased the financial needs of nonprofit organizations, hindering social service delivery. Consequentially, institutional voids were created because many Americans lacked the resources (e.g. educational and employment opportunities) they need to thrive in society (Mair et al., 2012). The nonprofit sector responded by engaging in commercial business activities and used revenue to fund socially beneficial activities, creating social enterprise.

Some scholars suggest social enterprise is a tool for filling such institutional voids (Mair & Marti, 2009). They view instances like the financial cutbacks in the 1960s and the great recession of 2007 as opportunity spaces for social entrepreneurs. There is empirical evidence for this claim. For instance, Echoing Green, a popular global social enterprise seed funder, saw a substantial increase in applications to start social enterprises after the great recession (Battilana, Lee, Walker, & Dorsey, 2012). Similarly, Granados et al. (2011) assert that rate of literature on social enterprise substantially increases after 2010. The increase in literature coincides with the emergence of social enterprise laws aiming to facilitate activities for hybrid businesses. The first social enterprise law was created in 2008. In a matter of nine years, five types of state laws have been created and at least one is available to aspiring social entrepreneurs in 36 states. The surge of interest in social enterprise may be linked to economic insecurity in United States. The rise in social issues like poverty and unemployment may motivate a new set of entrepreneurs aiming to combat social issues in addition to their individual quest for economic self-sufficiency or wealth.

The theory of change championed by social enterprise proponents suggests their social and economic structure equips them to fill institutional voids. Mair & Marti

(2009)'s case study on a social enterprise named BRAC that combines social and economic resources to combat institutional voids in Bangladesh. BRAC creates village organizations to “give voice to the poor” in rural areas where power of public and private land lies in the hands of elites that use corruptive practices to manipulate the poor. Village organizations are mainly run by poor women and seek to increase social capabilities pertaining to job training programs, medical care, legal aid, vegetable export, and banking. Mair & Marti (2009) assert that these services foster income generation, health maintenance, and skill and wealth development, while also promoting social inclusion of women that are typically confined to housewifery. Services are provided through BRAC's existing partnerships with different governmental and non-governmental organizations, resulting in economic value that consists of the money saved from having to create new programs.

The case study above conveys how an individual social enterprise fills institutional voids, but it is only one example of how institutional voids theory aids in social enterprise development. Terjesen, Bosma, & Stam (2015) argue that evidence for institutional voids theory has only been identified in case studies, yet large-scale studies corroborate the theory of institutional support. Institutional support theory suggests social enterprises develop in contexts abundant with governmental support for social programs (Stephen, Uhlaner, & Stride, 2015). This is corroborated by a recent practitioner survey of 388 social enterprise leaders in the United States. Socentcity.org (2016) found social enterprises thrive in cities abundant with human capital, funding opportunities, high quality of life, and government receptivity and regulation. Similarly, Stephan et al. (2015) found social entrepreneur engagement was higher in countries where government

response to social issues is higher. These findings reject the idea that social enterprises develop in contexts where social issues are dire.

Scholars suggest theories of institutional voids and institutional support are antithetical. However, these theories are not strictly competing. History has shown that social enterprises in the United States developed from economic insecurity within the nonprofit sector. Historical milestones convey a surge of social enterprise establishment, research, and legislation during the aftermath of the great recession. Yet, empirical research and observations of the field show that social enterprises tend to develop in areas with ample resources. This suggests that while social enterprises may aim to meet institutional voids, they also need resources to survive and thrive. The structure of social enterprise is one that values sustainability to continuously combat social issues.

For this reason, I introduce institutional sufficiency theory to social enterprise literature as an alternative to the theories of institutional voids and institutional support. I argue that the dual mission of social enterprise requires resources to meet both its social and economic goals. Distressed areas, for example, face a multitude of social issues, yet have little resources to alleviate them. Social enterprises may be more hesitant to develop in such areas than affluent areas out of risk of dissolution or limited support. However, as businesses they operate based on identifying and addressing needs (Dees, 2001). It thus seems social enterprises develop out of social needs, but thrive where operational resources are plentiful. By investigating the social and economic bottom-line, this dissertation assesses whether the practice of social enterprise corroborates any of these competing theories.

Social Capabilities: A New Perspective on Social Value

This section argues that social value should be explored using the capability approach because of its multidimensional focus on poverty. The term social capability is introduced in this dissertation in an effort to emphasize that social enterprise services aim to foster human capabilities. Social capabilities may be easier to measure than social value because they relate to Nussbaum (2004)'s list of human capabilities. On the contrary, definitions for social value are highly debated in the literature, making the term difficult to measure (Walk et al., 2015; Wongtschowski, 2015; Kroeger & Weber, 2014).

I also introduce the term social functionings to indicate the actual impact of social enterprise services on beneficiaries. The term emphasizes that social enterprise services are a means to an end. Specifically, social enterprise services may not result in the achievement of an intended outcome. The term social value indirectly insists some value is provided through social enterprise services. The distinction between social capabilities and social functioning indicates a difference between providing a service and achieving a particular impact in a beneficiary's life due to the service provided.

My introduction of the terms social capability and social functioning aims to standardized the way social value is viewed and measured. These definitions relate to how the terms human capabilities and functionings are used in literature on the capability approach (Nussbaum & Sen, 1993; Sen, 1992). Human capabilities are the opportunities people have to do things in life that have meaning to them and/or allows them to fully participate in society (e.g. available job opportunities). Functionings are the achievements people make in life regarding their well-being (e.g. securing a job). Functionings are what people actually do in life such as voting, working, or going to school.

Dimensions of capabilities and functionings are debated among pioneers of the capability approach literature. In the past, Amartya Sen, has argued that there should be no standard list of capabilities because dimensions should be democratically chosen by community members wherein the capability approach is applied (Sen, 1992). Over the years, the author has created lists of basic capabilities featuring basic human needs (Stiglitz et al., 2009). Sen's lists have been used in international human well-being measures such as the Human Development Index (Stanton, 2007).

Martha C. Nussbaum argues that a central list of human capabilities is needed to guide public policies, businesses, and interventions. Nussbaum (1997)'s list of central human capabilities outlines basic needs to be met in order for people to function in society. Dimensions of Nussbaum's list include: life; bodily health; bodily integrity; senses, imagination, and thought; emotions; practical reason; affiliation (including friendship and respect), other species (e.g. animals, nature); play; and control over one's political and material environment². Each dimension relates to different aspects of human well-being. Nussbaum (2004) asserts that capabilities should be allocated through institutions, mainly because they are appropriate for organizing and disseminating resources to large numbers of people. As institutions providing services that seek to advance human development, social enterprises are an appropriate medium for exploring how institutions may foster capabilities.

I used Nussbaum (2004)'s list as a starting point for my list of central social capabilities (in Appendix C). I organize the social capabilities by theme in regards to four core areas of human need: health and human security; social mobility; social, political,

² See Appendix A for a fuller description of these capabilities.

and environmental engagement; and self-expression and social relationships. Health and human security involves creating opportunities that aim to advance or secure the physical and mental health or lifestyles of individuals or communities. Social capabilities in this area are health; mental/emotional health; and safety or abuse. Social mobility involves developing the skills and abilities of individuals, social groups, or communities in an effort to elevate their socioeconomic status over time. These capabilities include education; life-planning/decision-making; property ownership; and employment training.

Social, political, and environmental engagement consists of creating opportunities for people to engage in social systems or social causes that relate to their political, social, and environmental well-being. These social capabilities include: social issues and inclusion; discrimination issues; political participation, and interaction with animals, plants, or nature. Lastly, self-expression and social relationships involves creating opportunities that foster individual creativity, entertainment, and nurtures the relationships individuals have with others. These social capabilities include independent/creative expression and recreation or entertainment.

While no prior study applies the capability approach in this manner, Scarlato (2013) suggests social enterprise is a medium through which human capabilities disperse. Scarlato (2013) discusses how Ecuador's *Buen Vivir* national economic development plan used social enterprise as an instrument for expanding human capabilities. It refers to the dispersion of human capabilities that social enterprises provide. Exploring social value through the capability approach offers a multidimensional account of the social issues that social enterprises aim to alleviate.

This research provides rich insight about social enterprises in America that is not captured by previous research. For instance, The Social Enterprise Alliance's national field study identifies the following social enterprise industry areas: community/economic development, workforce development, energy/ environment, education, health and wellness, international development, and social justice (Social Enterprise Alliance, 2012). The same study reveals that 60 % of U.S. social enterprises were created in 2006 or later, with 29 percent having been created since 2011. This result provides a general understanding of the types of social issues that social enterprises seek to address. However, this dissertation takes a deeper look at how social enterprises aim to advance diverse aspects of human well-being. Literature on the capability approach is thoroughly reviewed in an effort to outline its use in empirical research.

Literature Review on the Capability Approach

In an effort to understand how the capability approach may be utilized to examine social value creation, I review its use in previous studies. In doing so, I aim to achieve the following two goals: 1) to determine common characteristics of capability approach empirical applications and 2) to identify the main purposes for using the approach to examine social issues. The knowledge provided from in review differs from that of previous reviews because of its focus on the social concerns that the capability approach has been applied to measure. It also differs because it highlights how the capability approach may be employed in institutional contexts. For instance, Clark (2005) focuses on developments, critiques, and advancements of the capability approach as a theoretical framework. Clark (2005)'s review outlines the strengths and weaknesses of the capability

approach as an alternative to traditional views on economic development. Alkire & Santos (2013)'s review solely examines empirical applications that utilize the Alkire-Foster Method. The Alkire-Foster Method is statistical technique that was specifically designed to identify impoverished people in diverse contexts using the capability approach (Alkire & Santos 2013). Lastly, Chiappero-Martinetti & Roche (2009) explore statistical techniques and methodology employed in applications of the capability approach. However, Chiappero-Martinetti & Roche (2009) provide little information about what types of social issues the capability approach examines and how it has been applied to assess the activities of social interventions.

Literature for this review was identified using scholarly indexes such as Google Scholar and EBSCO. Search terms included: capability approach; human capabilities; capability approach operationalization; capability approach application; capability approach and program assessment; and capability approach and social enterprise. A total of 126,885 related academic articles, books, and working papers were identified. Books and abstracts of academic articles and working papers were screened to assess their alignment with inclusion criteria. Articles from non-academic major research organizations were also included. The inclusion criteria focused on identifying articles that: 1) empirically study the capability approach and 2) interpret the approach as defined by Amartya Sen and/or Martha C. Nussbaum. There were no limits regarding the time range of the articles. Given the inclusion criteria, a total of 34 studies were retained for this literature review.

Text within each article was meticulously analyzed to assess themes regarding the following seven categories: research focus; capability approach application type (e.g.

capabilities or functionings); unit of analysis; data type; research methodology; statistical technique; and country. The research focus involves the reason (e.g. quality of life measurement; program evaluation) the capability approach is empirically utilized. Capabilities and functionings refer to whether the study measures capabilities, functionings, or both. The unit of analysis indicates what is being measured (e.g. individuals, countries, households). Methodology refers to whether quantitative and/or qualitative methods are used in an article. Statistical technique indicates the statistical/quantitative measures used to analyze data. Lastly, the country category includes the number and specific countries where the approach is applied. The United Nations (2017) country classification was used to identify the type of economy the approach was applied in. In summary, open-coding was used to assess themes within each category. Descriptive statistics were used to determine the frequency of each theme and cross-tabulations were used to assess the relationships between themes.

Findings. This literature review examines themes regarding characteristics of empirical applications of the capability approach. A descriptive overview of the themes found are provided below. These themes are used to develop a typology regarding different purposes for using the capability approach in empirical research. Researchers may use this information when operationalizing the capability approach.

Research Focus. The capability approach is used to examine 12 different types of social concerns. The three most common are for assessments of multidimensional poverty (9 articles), well-being (6 articles), and program assessment.

(4 articles). The variety of social issues measured using the capability approach make it appropriate for assessing the diverse social issues addressed by social enterprise (Mair et al., 2012a; Mair & Marti, 2009; Alvord et al., 2004).

Units of Analysis. The units of analysis in applications of the capability approach include individuals, communities, organizations, and countries. Households (20 articles) and individuals (13 articles) are the most commonly used. Social capabilities can be viewed from various standpoints, making it valuable to this and other research on social enterprise.

Capability Approach Application Focus. Similar to results from Chiappero-Martinetti & Roche (2009), most applications of the capability approach measure functionings (23 articles) as opposed to capabilities (11 articles). Because functionings are one's actual achievements (e.g. purchasing a house), they are easier to assess than capabilities (e.g. affordable housing opportunities). Studies examining functionings typically use publicly available secondary data sources (e.g. national household surveys). Such data focuses on actual well-being as opposed to opportunities to improve well-being. The focus on both capabilities and functionings makes the capability approach particularly appropriate for social enterprise research. As institutions (Nussbaum, 2004), social enterprises are a medium through which capabilities are disseminated (Scarlato, 2013). The services they provide by social enterprises are social capabilities, while the outcome of those services may be viewed as social functionings.

Research Method. Empirical applications use quantitative methods (27 articles), qualitative methods (4 articles), and sometimes mixed-method research (3 articles). As with any kind of research, both quantitative and qualitative methods can uncover valuable

insights about social phenomena. Methodological flexibility is useful for social enterprise research because it is a new field, whereas theoretical development from both kinds of studies is needed (Hoogendorn et al., 2010).

Statistical Technique. Twelve statistical techniques were identified in empirical studies, most of which are commonly used in research. However, the Alkire-Foster method (Alkire & Santos, 2013; Trani, Biggeri, & Mauro, 2013) and the Community Capability Index (El Harizi & Klemick, 2007) were developed specifically for using the capability approach. Utilization of different statistical analysis tools is essential for assessing the complexity of social problems, especially on a large scale. The variety of statistical techniques employed in applications of the capability approach may be used in diverse research situations to extract information about social capabilities.

Geographic Context. Empirical applications of the capability approach have taken place in developing (21 articles) and developed (9 articles) countries. Some studies focus on a mixture of both country types (6 articles). However, none of the studies particularly focus on countries classified as economies-in-transition. The geographical flexibility of the capability approach may enable it to assess issues that social enterprises target around the world. Kerlin (2013) outlines various macro-institutional models for social enterprise across countries. Different models influence the types of social capabilities that social enterprises create. In addition, studies like Lepoutre et al., (2013) that examine social enterprise on a global level may explore how social enterprises attend to human development across countries and regions.

Use in Practice. The capability approach is used in practice to assess the impact of both singular programs and multiple organizations in both developed and developing countries (4 articles). Mainly qualitative methods that focus solely on individual beneficiaries are used for data collection and analysis. Only one study uses frequencies to assess the prevalence of qualitative themes. None of these studies use rigorous methods (e.g. randomized control experiments) for program evaluations. This may be because using the capability approach, especially for program assessment, is still new. These articles, in a way, set the foundation for more rigorous studies in the future. Each article emphasizes that the multidimensional framework of the capability approach provides rich insights about the impact of social programs on beneficiaries. They also mention that the approach reveals information they did not expect to find. Features of these social interventions are outlined in Table 1. Though none of these studies apply the capability approach to a social enterprise, they illustrate how it can be applied in future research.

Using cross tabulations to assess relationships between the themes outlined above, I identify the following three purposes for using the capability approach in empirical research: human well-being assessment; core needs identification; and measurement of capability dispersion. Descriptions for each are provided below with the number of studies conducted for each purpose in parentheses.

Human well-being assessment (28). Empirical applications for the purpose of human well-being assessment employ the capability approach to evaluate or measure concepts such as multidimensional poverty; human well-being; quality of life; life satisfaction; child poverty; disability; governance; and community capabilities. Some studies also measure individual capabilities such as education and employment. These

studies measure either capabilities or functionings at individual, household, or countries levels and each uses quantitative methods. Specific statistical techniques include: Fuzzy-set theory; the cutoff method (including the Alkire-Foster method); regression analysis; correlations; multiple correspondence analysis; frequencies; factor analysis; rankings; clustering; structural equations modeling; and the Community Capability Index. Though human well-being assessments may occur in a diversity of countries, they mainly take place in developing countries.

Table 1. Studies that Use the Capability Approach in Practice

	DeJaeghere & Baxter (2014)	Anich et al. (2011)	Grunfeld et al. (2011)	Schischka et al. (2008)
Number of Organizations	1	12	9	2
Organization Type	NGO	NGO	NGO	Government program and NGO
Intervention Type	Entrepreneurship Education Program	Various	Computer and Communication Technology Training	Poverty Alleviation
Capability Approach-Inspired Intervention	Yes	No	Yes	No
Countries	Tanzania and Uganda	Tanzania	Cambodia	New Zealand and Samoa
Rural/Urban Context	Not Stated	Urban	Rural Village	Urban and Rural
Focus of Intervention	Program Participants	Street (homeless) children, rehabilitated street children, and children with no experience of homelessness	Diverse stakeholders (including NGO) representatives and beneficiaries)	Program Participants
Sample Size	60	150	149	Not Stated
Intervention Duration	9-months	Varies	3 years	Not Stated

The field of social enterprise may benefit from using the capability approach for human well-being assessment, particularly in large scale studies. Recent studies that examine social enterprise throughout the world use the Global Entrepreneurship Monitor (GEM) to examine social enterprise establishment and activity (Lepoutre et al., 2013; Bacq, Hartog, & Hoogendoorn, 2013). However, these studies do not examine the types of human needs that social enterprises target. Coupling the capability approach with the GEM or other international studies would enable cross-country comparative analyses of how social enterprises aim to address human needs.

Core Needs Identification (8). Research that empirical applies the capability approach for purposes of core needs identification aim to determine the main issues/needs affecting people within a particular group or geographic area. These studies concentrate measure core capabilities at the individual or household level. Quantitative methods are utilized for data collection and assessment. Statistical techniques include: the cutoff method (including the Alkire-Foster method); regression analysis; correlations; frequencies; factor analysis and the Community Capability Index. The studies take place in developed and developing countries.

Using the capability approach for core needs identification may aid in the development of social enterprise services. Social enterprises are often locally embedded in that they develop to address local community needs (Eversole, Barraket, & Belinda, 2013; Seelos et al., 2011). Using the capability approach may help social enterprises identify the core needs of their target beneficiaries in an effort to strategically design programs and services that meet them.

Measurement of Capability Dispersion (4). Studies that apply the capability approach for capability dispersion aim to measure the influence of a program or institution on the lives of its beneficiaries. These studies all focus on measuring human capabilities. As shown in Table 1, some programs specifically design their social intervention to foster specific human capabilities (DeJaeghere & Baxter, 2014; Grunfeld et al., 2011). Using the capability approach to measure capabilities dispersed through one or more organizations is particularly useful in regards to the research questions driving this study. Specifically, measurement of capability dispersion focuses on assessing capabilities created through a social intervention. Such assessment fosters understanding of the types of capabilities being created through their services (Scarlato, 2013; Cornelius & Wallace, 2013).

Findings from this review highlight characteristics of the capability approach that may be useful in social enterprise research. For this particular study, I employ the capability approach to measure capability dispersion among social enterprises in the United States. I develop and utilize a questionnaire called the *Social Capability Measure* to obtain information about the social capabilities that social enterprises create. By exploring social capabilities, this research creates a basis for examining social functionings in future social enterprise research. Being that this section of the overall literature review explores the importance of understanding the social mission, the following section discusses the economic value creation in social enterprise.

Economic Value

Economic value plays a central role in the use of social enterprise as a strategy for advancing human development. It is defined in this study as the private financial gain of a business that can be measured based on indicators such as revenue generation (e.g. sales), grants (e.g. donated), or revenue saved (e.g. tax breaks) by a business and used for the benefit of its operation and/or its owners. Economic value creation serves a social enterprise by finance the activities it engages in to fulfill its social mission. The words “enterprise” and “entrepreneurship” in the terms social enterprise and social entrepreneurship are thought to indicate revenue generation. This is exemplified in social enterprise legislation, wherein each types of social enterprise law passed in the United States authorizes for-profit businesses to finance activities that relate to their social mission. Only type of social enterprise law, the low-profit limited liability company, restricts the amount of profits that may be distributed to shareholders. However, despite the emphasis on revenue generation of social enterprises in the United States, a recent study by a social enterprise consulting firm found that acquiring funding is the most difficult challenge facing social enterprises (SocEntCity.org, 2016).

Economic value is theorized to sustain social enterprise operations so they may continuously meet their social mission. Mair & Marti (2006) suggest economic value is about operational sustainability. However, Stevens et al. (2015)’s examination of the relationship between the economic and social mission of social enterprises in Belgium reveal a negative relationship. The authors suggest that the economic and social goals are not attended to equally. Instead, social enterprises that are highly active in achieving their social goals are less active in meeting their economic goals.

Prior to this dissertation, no research has empirically examined this relationship in the United States. While some information regarding the social issues that social enterprises in the United States target is available, no studies empirically examine economic value creation. In addition, only one empirical study explores the influence of legal form in meeting the dual bottom-line (Ebrahim et al., 2014). The last two sections of this literature review discuss the social and economic bottom-line in an effort to explain their significance in the theory that social enterprises may foster human development. The following section extends this discussion by describing the influence of legal form on the ability for social enterprises to meet their dual goals.

Social Enterprise Legal form

Since the 1970s, social enterprise establishment has grown throughout the United States. This is corroborated by practitioner reports (Social Enterprise Alliance, 2012), but has not been captured by academic research. Earlier cases of social enterprises typically operate as for-profit institutions, nonprofit organizations, or hybrid organizations (Battilana et al., 2012). However, many faced taxation and legal issues that complicated their work (Page & Katz, 2010). Today, four types of for-profit state-level social enterprise laws exist to serve businesses with a social and economic bottom-line (hybrid organizations).

Social enterprise laws have special (self-enforced) guidelines regarding how revenue and profits are generated and utilized. As of March 2017, The Social Enterprise Law Tracker (2017) indicates that thirty-six states have enacted at least one type of social enterprise law. This section describes the five social enterprise laws that social

enterprises in the United States operate under. Table 2 summarizes distinct features of each types of law.

In 2008, Vermont developed legislation for the Low-Profit Limited Liability Company (L3C), the first type of social enterprise law to exist in the United States (Murray, 2012; Falvai, 2012; Munch, 2012; Page & Katz, 2010; Smiddy, 2010; Lang & Minnigh, 2010). L3Cs combine features from nonprofit and for-profit organizations to meet social needs. However, like commercial businesses, L3Cs acquire funding from investors as long as investors make up to a 6% profit on their investment (Lang & Minnigh, 2010). The majority of profits from L3Cs must be reinvested into the business through what is called program-related investment (PRI). PRIs ensure L3Cs maintain both a social and an economic bottom-line, as commercial activities must be relevant to its social mission.

In 2010, Maryland passed the second type of social enterprise legislation called the Benefit Corporation (B-Corporation) (Page & Katz, 2010). Just seven years later, thirty states have adopted B-Corporation legislation (Benefit Corp Information Center, 2015), making it the most popular social enterprise law in the country. B-Corporation activities are directed by a group of shareholders and must have a social and/or environmental impact. For transparency purposes, B-Corporations must also provide annual reports on their performance (Benefit Corp Information Center, 2015). An independent third-party standard is used to guide their compliance with the law. However, compliance is monitored by shareholders and directors (Reiser, 2013).

Table 2. Social Enterprise Legislation in the United States

Year Created	Legislation	First State to Adopt	# of States Adopted	Shareholders
2008	Low-Profit Limited Liability Company (L3C)	Vermont	10	No
2010	Benefit Corporation (B-Corporation)	Maryland	30	Yes
2010	Benefit Limited Liability Company (Benefit LLC)	Maryland	4	Varies
2011	Flexible Purpose Corporation (FPC) (repealed)	California	Amended to SPC	Yes
2012	Social Purpose Corporation (SPC)	Washington	4	Yes

The B-Corporation is sometimes confused with B-Corp Certification, a certification process led by B Lab, a nonprofit organization that promotes B-Corporation legislation (B Lab, 2015; Munch, 2012; Murray, 2012). B-Lab was created in 2006, before any types of legislation for social enterprise in the United States was passed (Murray, 2012). B-Corp Certification enables businesses throughout the world to *voluntarily* operate under specific social value-oriented conditions developed by B Lab, who evaluates these businesses using a method called *B Analytics*. While B Lab seeks to advance B-Corp legislation, it cannot pass state or federal law because it is a nonprofit organization with no governmental affiliation. B-Corp certification simply brands socially conscious institutions, regardless of legal form, in order to promote their social mission. Over 1,000 businesses in more than 60 countries have B-Corp Certification (B Lab, 2015).

In 2011, California established legislation for the Flexible Purpose Corporation (FPC), under its Corporate Flexibility Act (Murray, 2012; Murray & Hwang, 2011). However, all FPC legislation has recently been amended to convert all FPCs into Social Purpose Corporations (SPC) in order to emphasize that they exist for social purposes. FPCs use to enable for-profit private businesses to create and finance nonprofit subsidiaries that engage in charitable activities that benefit employees, suppliers, customers, creditors, the community, society, and/or the environment. However, SPCs, which were first established in Washington in 2012, are similar to the B-Corporation in that they must have a social and/or environmental mission. However, SPCs do not have shareholders or third-party standards for their work (Smiddy, 2010).

Lastly, the most recent type of social enterprise legislation passed in the United States is the Benefit Limited Liability Company (Benefit LLC). Established first in the state of Maryland in 2010, Benefit LLCs enable traditional limited liability companies to prioritize social and/or environmental causes above profit-making (Constable, 2013; Murray & Hwang, 2011; Forbes, 2015). The legislation enables traditional LLCs with a desire to become social enterprises to re-establish themselves in an effort to pursue socially conscious goals. Only two states (Oregon and Maryland) have adopted this law and little information about it exists in social enterprise literature.

These social enterprise laws were created to facilitate businesses operating with a social and economic bottom-line. However, it is essential to acknowledge that these businesses may not do so equally. Many nonprofit organizations and private businesses have converted to social enterprise legislation. Such businesses may desire to engage in both social and economic activities, but not necessarily in the equitable manner that is

often (indirectly) discussed in social enterprise literature. Criticism of social enterprises like B-Corporation and L3C suggest their for-profit structure makes them more susceptible to mission-drift (Ebrahim et al., 2014; Reiser, 2013). However, it can be argued that converting to social enterprise may be mission drift for businesses that originally incorporated as for-profit businesses or nonprofit organizations. I refer to these businesses as *converted social enterprises*.

A social enterprise's desired level of commercial and social activities in converted social enterprises may not empirically align with theories about social enterprise. Literature on social enterprise often assumes they are what I refer to as *constructed social enterprises*. Constructed social enterprises are designed to meet social and economic goals. Being that there is no research that examines the purpose and goals of both converted and constructed social enterprises, future studies are needed to improve theory about their influence on social and economic performance. This is particularly important due to recent research on social and commercial imprinting.

Battilana, Sengul, Pache, & Model (2015) define social imprinting as a social enterprise founding team's emphasis on accomplishing the organization's social mission. Commercial imprinting indicates that a social enterprise emphasizes commercial activities. Converted social enterprises should be expected to have commercial imprinting if they are for-profit businesses and social imprinting if they are nonprofit organizations. However, I suggest social enterprises may have either or both if they are constructed social enterprises. Imprinting is particularly important because it affects social performance. Battilana et al. (2015) argue that there is a social imprinting paradox. Social imprinting weakens economic productivity because it dedicates economic and human

resources to its social mission. In doing so, it inevitably weakens social performance by not increasing economic productivity. Given this research, it is essential to understand social enterprise legal form because it relates to the value of social enterprise as a tool for advancing human development.

Though at least one type of social enterprise law exists in thirty-six states, there are fourteen states without any. Social entrepreneurs based in these states sometimes incorporate in other states. For instance, the state of Delaware allows businesses operating outside of Delaware to incorporate B-Corporations there (Pherhoples, 2013). However, social entrepreneurs based in states without laws often operate nonprofit organizations, for-profit businesses, or create hybrid institutions like early cases of social enterprise. In an effort to alleviate legal and operational difficulties, advocacy institutions such as the Social Enterprise Greenhouse are working to establish federal legislation that may facilitate the establishment and operation of social enterprise.

The Bipartisan SEED Commission Act was introduced to Congress in September 2016. It essentially seeks to create a Small Business Association for social enterprises by establishing a “Commission on the Advancement of Social Enterprise” that would develop a two-year taskforce for identifying social enterprises throughout the country (Cicilline, 2016). The taskforce would work with federal agencies and scholars to explore ways social enterprises may work with the federal government to combat social issues. However, the bill also died in Congress in early 2017 (Civic Impulse, 2017). Providing a better understanding of how and in what manner social enterprises aim to foster human development may enable this research to inform social enterprise legislative efforts. The following section analyzes empirical research on social enterprise to identify

what knowledge exists about the field in general. In doing so, it identifies some of the contributions of this research.

Exploring Contemporary Social Enterprise: A Review of Empirical Research

Several literature reviews on social enterprise and social entrepreneurship have been conducted over the last decade. Short et al. (2009) examine methodological techniques used in social entrepreneurship articles and identifies leading academic journals that publish research in the field. Results reveal that the majority of methods used in social enterprise empirical research are case studies and that most empirical studies on the concept do not include formal hypotheses. The authors conclude that the field is in a state of infancy and in much need of theoretical development. Shortly after this review, Hoogendoorn et al. (2010) review empirical literature to uncover what was already known about social enterprise.

Hoogendoorn et al. (2010)'s review analyzes the findings within empirical articles on social enterprise through the lens of four schools of thought. These schools of thought are distinguished by their practice in the United States and Europe, which produce the bulk of social enterprise research (Granados et al., 2011). The American schools of thought consist of the "Social Innovation" and the "Social Enterprise" schools. The social innovation school examines characteristics social entrepreneurs possess that inspire them to create nonprofit or for-profit social enterprises. The social enterprise school focuses on commercial activities that nonprofit social enterprises engage in to fight social problems.

The European schools of thought consist of the Emergence of Social Enterprise in Europe (EMES) approach and the UK approach. The EMES approach has an “explicit aim to benefit the community, is launched by a group of citizens, enjoys a high degree of autonomy, is participatory in nature, and does not base decision-making power on capital ownership.” The UK approach involves businesses with a social focus that mainly reinvest their profits into the organization as opposed to distributing profits to shareholders or owners.

Hoogendoorn et al. (2010) suggest there is no unified definition for social enterprise and even these schools of thought have some overlap. Findings regarding literature on social enterprise reveal a lack of exploratory research needed for theoretical development, especially in the case of using quantitative methods. Themes are uncovered regarding the individual social entrepreneur, process, organization, and their operational environment of a social enterprise. However, most of these themes are found from a small number of studies that all use types of different samples, leaving the authors to conclude that these themes provide a modest foundation for the field.

Lastly, Granados et al. (2011) conduct a bibliometric analysis of literature on social enterprise and social entrepreneurship from 1991-2010. The authors review articles in three international databases: ISI Web of Knowledge; Business Source Complete; and Science Direct. They also review papers published in the new, sector-specific journals such as the Social Enterprise Journal and the Journal of Social Entrepreneurship. Results also reveal that social enterprise literature is dominated by scholars in the United Kingdom and the United States, but that no one author dominates the field. Findings also

indicate a significant growth in social enterprise scholarship since 2005 and especially after 2010 when research in the field skyrockets.

The present literature review differs from prior reviews in that it analyzes empirical research in terms of its contribution to social enterprise as an institutional form. The process for obtaining literature for this review is parallel to that of the general literature review for this dissertation in that it consists of citation tracing, concept saturation, and results mind-mapping. Each article is perused to identify information about the intentions, creation, planning, process, and impact of social enterprise. The review consists of studies conducted globally because theories influencing the field have been informed by international scholars. However, given the nature of this research, special attention is placed on investigations of social enterprise in the United States.

Findings from this literature review reveal eight themes that provide insight about social enterprise as an institutional form. The themes include: institutional purpose; social enterprise planning, practice, and processes; the social and economic mission; organizational characteristics; techniques for social impact; achieved social impact; institutional support, ecosystems, and collaborations; and law and public policy.

Themes for Empirical Findings

Institutional Purpose. Social enterprises are created to meet particular human needs (Eversole et al. 2013; Shaw & Carter, 2007). Their work is simultaneously viewed as a community investment, as well as a product of the reciprocal relationship between the social enterprise and the community they serve. Communities may provide social enterprises with grants and volunteers in exchange for the techniques they use to address

social issues. According to Eversole et al. (2013), social enterprises view social issues as spaces of opportunity to create social value, while creating economic value to sustain their business (Mair & Marti, 2009).

Planning, Practice, and Processes. Social entrepreneurs suggest there is no proper way to run a business and thus concentrate on experiential learning through trial and error (Howorth, Smitt, & Parkinson, 2012). However, they face distinct business planning challenges that conflict with the nature of their businesses such as accessing start-up and maintenance funds; recruiting and retaining staff due to uncompetitive salaries; personal issues managing cultural changes to the business over time; problems related to cash management; and product pricing issues (Hynes, 2009).

The actual practice of social enterprise is influenced by factors such as the social mission, organizational sustainability, and environmental dynamics (Weerawardena & Mort, 2006). Social enterprises identify opportunities that align with their social mission, but must also ensure the organization is economically sustainable. Their dual mission is influenced by environmental dynamics such as governmental and policy changes, as well as a lack of social enterprise business models for guidance. Nevertheless, Weerawardena & Mort (2006) suggest social entrepreneurs engage in proactive and creative activities in order to meet their dual mission.

Social enterprises have an open and innovative culture that enables them to acquire resources from a variety of sources. Shaw & Carter (2007) found that social enterprises mainly rely on external funding, however this study takes place in the United Kingdom. In regards to other resources, social enterprises view networking as essential for acquiring information, funding, opportunities, and local support.

Relationship Between Social and Economic Mission. While little empirical research exists regarding the relationship between the social and economic mission, a recent study reveals a negative relationship (Stevens et al., 2015). Specifically, social enterprises that have a strong focus on generating economic value tend to have less of a focus on their social mission. Battilana et al. (2015)'s study on work-integration social enterprises (WISEs) has similar results. In their panel study on social and commercial imprinting, they uncover a positive relationship between social imprinting and social performance. However, there is a negative relationship between social imprinting and economic productivity. Essentially, WISE's whose founding team members are socially oriented have high social performance, but lower economic productivity. The authors argue that this actually results in lower social performance because higher economic productivity may enhance their social performance in the long-term.

However, Bacq & Eddleston (2016) find that higher economic productivity may not actually lead to higher performance. Bacq & Eddleston (2016) explore the influence of stewardship culture on the scale of social impact. Stewardship culture involves creating an organizational environment that nurtures collaboration and citizenship among employees and encourages a sense of purpose so that the social entrepreneur identifies and connects with their social mission (Bacq & Eddleston, 2016). The authors distinguish between two forms of stewardship culture – employee-based and entrepreneur-based. Employee stewardship culture involves employee loyalty and collectivism. Entrepreneur stewardship culture involves the entrepreneur's strong self-image and self-actualization in business activities. Bacq & Eddleston (2016) recruit 171 social entrepreneurs in the United States to complete an online survey regarding the scale of their social impact.

Results reveal a positive relationship between the scale of social impact and stakeholder engagement, earned-income, and government support. However, social enterprises with low entrepreneur stewardship culture and high earned-income leads to low scale of social impact. Thus, higher income is not a sole predictor of social performance.

In addition, Bacq & Eddleston (2016)'s results reveal a negative relationship between for-profit organizations and the scale of social impact. This may relate to Stevens et al. (2015)'s finding that more of a focus on economic activities diverts attention from social activities. Battilana et al. (2015) find that social enterprises may deal with the tensions related to their dual mission by hiring staff that manages activities associated with each mission. Specifically, hiring business managers and social welfare managers may be useful for managing both activities.

Organizational Characteristics and Structure. Social enterprises are usually small businesses that grow over time (Eversole et al., 2014). A practitioner study in the United States found the sector represents over \$375 million in annual revenues and has over 15,000 employees (Social Enterprise Alliance, 2012). Industries that social enterprises work in include: U.S. Community/Economic Development (20%); Workforce Development (19%); Energy/ Environment (14%); Education (13%); Health and Wellness (10%); International Development (6%); Social Justice: (5%). Bacq & Eddleston (2016) also find that social enterprises operate in similar industries.

In regards to firm age, over half of all social enterprises were created since the start of the 2008 economic recession. One third of social enterprises are nonprofits, but those formed after 2005 are more likely to be corporations or LLCs. While this study

took place in the context of the United States, other studies suggest that organizational characteristics and structures differ across the world.

Kerlin (2013) argues that macro-institutional factors in a country indirectly influence the organizational structure of social enterprises within a country. Specifically, social enterprises are directly shaped by “what government chooses to do and not to do.” Kerlin (2013) outlines a typology of social enterprise models that considers how the cultural, political, economic, and historical factors in country influences its macro-level model for social enterprise. These factors include the type of government, civil (welfare) society state, and stage of economic development within a given country. The author uses the comparative historical analysis method, which compares case study qualitative data and large-scale quantitative data to examine nations and regions. Her findings convey that countries that have a strong welfare state create a narrow opportunity space for social enterprises to emerge.

Kerlin (2013) outlines five models of social enterprise based on this macro-institutional framework. The first model is Sustainable Subsistence and refers to social enterprises usually arise in the form of small group efforts of entrepreneurs to provide poverty relief. It involves needs-based entrepreneurship in small villages due to the low GDP in developing countries (e.g. Zimbabwe, Uganda) where it is prevalent. The second model is Autonomous Mutualism. Countries with this model are those experiencing post-authoritarian rule where there are groups that aim to fill existing social welfare gaps (e.g. Argentina, Ukraine, South Africa). These social enterprises are often viewed as a form of social activism.

Kerlin (2013)'s third and fourth models are Dependent Focused and Enmeshed Focused. Both models have a large social welfare state so there is little space for social enterprises to develop. They also rely on state subsidies. However, countries with a Dependent Focused model (e.g. Italy, Germany) have a greater number of diverse kinds of social enterprises. Countries with an Enmeshed Focused model (e.g. Sweden, Austria, Slovak Republic) have less social enterprises than those with Dependent Focused models and they are less diverse in regards to the issues they target. Countries with an Enmeshed Focused model have social enterprises that are often linked to public policy initiatives.

The fifth and final model Kerlin (2013) outlines is Autonomous Diverse. Countries with this model have a diversity of social enterprise activities because they are driven by innovation and have relatively little governmental social welfare initiatives (e.g. United States). These countries have independence from the state and thus rarely rely on government subsidies. They support themselves through revenue generation, have a variety of organizational structures, and target diverse social issues. Kerlin (2013) concludes that the United States has an Autonomous-Diverse model of social enterprise, which values innovation and service diversity. Because of the independence between the private sector and the welfare state (e.g. little government subsidies), social enterprises in the United State emphasize revenue generation. Unlike in other countries, social enterprises social enterprises in the United States aim for an outcome of organizational sustainability because government is not viewed as a factor in its operation and longevity.

Another study on social enterprise across countries reveals that social enterprise has relatively low start-up rates throughout the world (Lepoutre et al., 2013). However, the United States has the highest rates, which may relate to Kerlin (2013)'s finding that

the relatively low level of state-based social welfare programs in the United States creates a space for the development of social enterprise. Still, the levels of social enterprises are lower than that of commercial enterprise in the United States (Bosma, Schott, Terjesen, & Kew, 2016), which is likely because social enterprise is a still new phenomenon (Bacq et al., 2013).

Another empirical study compares social and commercial enterprises in Belgium and the Netherlands (Bacq et al., 2013). Results reveal that social enterprises are relatively younger than commercial enterprises and that more social enterprises are in the start-up (actively developing a business) or infancy-stage (less than 3.5 years of business operation) than an established-stage (more than 3.5 years). Established social enterprises have more employees, volunteers, and part-time workers than early stage social enterprises. They are also more likely to predict they would hire more staff within the next 5 years. However, Bacq et al. (2013) concludes that social enterprises are less ambitious in regards to staff size than commercial enterprises. The authors find that early-stage social entrepreneurs receive more earned-income (58%) than established social enterprises (38%), who receive revenue from other sources including government subsidies, grants, and individual donors. Early-stage social entrepreneurs are also more likely to create innovative social products and services than established social enterprises.

Models and Techniques for Social Impact. After examining 5 case studies of social enterprises globally, Alvord et al. (2004) suggests social enterprises build their identities around the following three strategies for social transformation: 1) local capacity building, 2) package dissemination, and 3) development of a social movement. Similarly, Wongtschowski (2015) is practitioner study that applies the capability approach in case

studies of Asian social enterprise in order to examine the kinds of social issues target. The author suggests social enterprises appear to create opportunities for income generation, upholding good health and adequate nourishment, cultivation of adequate education, for avoidance of unnecessary pain, and for recreational enjoyment. However, Wongtschowski (2015) finds social enterprises rarely create capabilities that relate to social issues such as security against assault, freedom of movement, political participation, protection of free speech, preservation of the natural environment, critical planning of one's own life, and protection against discrimination.

Teasdale (2010)'s investigation of four social enterprises in the United Kingdom also suggest social enterprises may be better at combating some issues as opposed to any social issue. However, the author suggests it is the organizational structure that influences social impact technique. Teasdale (2010) suggests social enterprises with a primarily social focus may be better suited as spaces for socially excluded groups to connect. The author purports social exclusion may be relative as opposed to absolute (e.g. a disadvantaged person may be excluded from society, but included in a particular social organization (e.g. refugee)). For-profit social enterprises, on the other hand, may be better equipped to create paid employment opportunities.

Mair et al. (2012) suggests social enterprises have a different model for social impact. The authors assert that social enterprises are oriented around leveraging four different forms of capital in an effort to address social issues including: political capital, human capital, economic capital, and social capital. Political capital-oriented organizations work on law and human rights issues and typically target children as constituents. Human capital-oriented organizations target the general public and focus on

advancing skills and education. Economic capital-oriented organizations fight issues affecting the poor, the unemployed, or people working in poor working conditions. Their target beneficiaries are vulnerable populations such as farmers, and women. Lastly, social capital oriented organizations focus on increasing civic engagement. Their target beneficiaries include civil society organizations and communities.

Achieved Social Impact. Calls for assessing social impact are abundant throughout social enterprise literature. Five empirical studies on social enterprise impact were found in this literature review. Each, to an extent, focuses on affirmative business (USA)/work-integration (UK) social enterprises, which employ people from disadvantaged populations. Results from these studies indicate that social enterprises improve the skills, wealth, professional development, and social capital of their employees (Akingbola, 2015; Maxwell et al., 2015; REDF, 2014; Mair & Marti, 2009; Ferguson & Islam, 2008). Some studies also assert they advance health maintenance (Mair & Marti, 2009) and improve rates of stable housing for their employees (Maxwell et al., 2015; REDF, 2014). Lastly, employees at affirmative business social enterprises show a decrease in health and substance abuse issues, as well as a decrease in their dependence on government welfare programs (Maxwell et al., 2015).

Institutional Support, Ecosystems, and Collaborations. Empirical findings reveal social enterprises thrive in communities where institutional support is abundant. Stephen et al. (2015) purports that social enterprise activity is driven by resource-based mechanisms and supply-side motivations as opposed to a demand for combating social issues. Similarly, Mair & Marti (2009) suggests collaborating with other institutions enables social enterprises to build an infrastructure of resources and support for

beneficiaries. A study by a social enterprise consulting firm also finds that social enterprises thrive in cities where institutions such as government, universities, and networking organizations work to support social enterprise development (SocEntCity.org, 2016). Bacq & Eddleston (2016) uncover that high entrepreneur stewardship culture positively relates to obtaining government support and the scale of social impact. However, even with government support the scale of social impact may be low if a social enterprise has low entrepreneur stewardship culture. Thus, governmental support aids organizations, but the entrepreneur's personal commitment to the social mission may have more influence on the scale of a social enterprise's social impact.

Law and Public Policy. Korosec & Berman (2006) reveal that municipalities support social entrepreneurship in three key ways including: 1) assisting in implementation and coordination (most common form of support), 2) facilitating resource acquisition (least common form of support), and 3) spreading information and awareness regarding their work. SocEntCity.org (2016) also finds that government regulation and receptivity in favor of social enterprise is one of four key factors that positively influences thriving social enterprise communities in the United States.

Discussion of Empirical Findings

This general review of empirical research on social enterprise outlines eight factors influencing the function of social enterprise as an institutional form. These factors are social enterprise: institutional purpose; planning, practice, and processes; the relationship between their social and economic mission; organizational characteristics; the techniques they utilize for social impact; their achieved social impact; their

institutional support, ecosystems, and collaborations; and the laws and public policies that influence their work. My examination of these institutional factors reveals that empirical research on social enterprise focuses on diverse areas of their work, however there is still a small number of empirical studies in the field. Specifically, there are few studies within each theme regarding their institution factors, which leaves much unknown about the practice of social enterprise.

Empirical research is especially limited in regards to factors such as: achieved social impact; the relationship between social and economic mission; and law and public policy. Yet, the first two of these factors are at the conceptual core of social enterprise. In the context of the United States, efforts have been made to advance social enterprise law and public policy. The lack of empirical research in this area limits the knowledge needed to strategically guide these efforts.

While findings from this review are unique, they relate to previous findings in several ways. Firstly, these findings reflect that of Hoogendoorn et al. (2010)'s in that the themes derive from a few studies conducted in different contexts, using different methods, and samples, conveying a modest theoretical foundation for the literature. Research in different contexts are influenced by the historical, legal, economic, and social fabric of those contexts (Kerlin, 2013). Not to mention, frequent usage of case studies and qualitative techniques limits generalizability of results.

Second, this literature review, like those prior suggests that literature on social enterprise is still in a stage of infancy (Short et al., 2009; Hoogendoorn et al., 2010; Granados et al., 2011). This is reflected, for example, in the finding that achieved social impact mainly aligns with only one of various techniques for social impact found by

(Alvord, 2004). Specifically, empirical evidence mainly supports the work of WISE or affirmative business social enterprises as a strategy for alleviating social issues. Mair & Marti (2009) also discuss the impact of social service provision in addition to creating affirmative business. However, this finding did not necessarily align with the outlined techniques by Alvord et al. (2004). This may be because of their use of a small sample, case study method, which may not capture the variety of techniques that social enterprises may utilize to advance social issues.

Furthermore, no empirical evidence was found regarding the impact of using social enterprise for issues such as package dissemination, developing social movements, (Alvord et al., 2004) or increasing different forms of capital (Mair et al., 2012). As previously mentioned, findings regarding these techniques were uncovered using case studies, limiting their generalizability. Terjesen et al. (2016) also suggests this issue limits evidence for the theory that social enterprises are created to fill institutional voids. The authors suggest only case study provides evidence that corroborates the theory, while large scale studies discount it.

My research is the first large-sample study that asks social enterprises to discuss techniques they utilize to advance human development. It provides evidence for existing theories about the techniques in addition to revealing new techniques. Furthermore, this research also empirically investigates factors related to achieved social impact (social output not impact); the relationship between social and economic mission; and law and public policy. In doing so, this research makes a contribution to theory, practice, and policy regarding social enterprise. However, much more empirical investigations are needed to move social enterprise literature past its stage of infancy.

Conclusion

This literature review of empirical research on social enterprise highlights factors influencing its function as an institutional form. The limited empirical research on the eight themes that this review identifies conveys the need to advance knowledge about social enterprise. Scarcity of information about social enterprise hinders development of business models, laws and public policies, and research needed to strategically advance the field. This raises questions about why the state of empirical literature is limited. Future research should investigate challenges that hinder research development. In addition, scholars, practitioners, and policy makers must work together to facilitate and advance social enterprise.

This review of empirical research on social enterprise sets the stage for understanding how findings from this study contribute to knowledge about the field. The next section provides an overall summary for this chapter before explaining methodology used in this research.

Chapter Summary

Chapter II explores literature pertaining to social enterprise as a strategy for advancing human development. Social enterprise has existed in the United States for over forty years. While the sector developed as a reaction to the impact of federal budget cuts on the nonprofit sector, social enterprise practice and research have grown significantly. Today, social enterprises incorporate as nonprofit organizations, for-profit businesses,

hybrid organizations, and as social businesses operating under specialized, hybrid social enterprise legislation. Growth in social enterprise stems, in large part, from the idea that they are a tool for addressing social problems.

Theory suggests that the social and economic structure of social enterprises enable them to address such issues affecting human development (Mair & Marti, 2009). Specifically, social enterprises aim to generate revenue that finances their businesses in an effort to continuously address social problems. I introduce the term social capabilities to indicate the human needs that social enterprises aim to meet, in alignment with their social mission. The term derives from the capability approach, a multidimensional framework for assessing the ways human life is enriched and deprived.

The section on economic value discusses how revenue generation is the biggest challenge social enterprises in the United States face. Yet, hardly any information exists about economic value creation techniques. Similarly, the section on social enterprise legislation describes the disconnect between theory and practice regarding the purpose of social enterprise laws. Social enterprise literature assumes B-Corporations, SPCs, L3Cs, and Benefit LLCs are designed to address their social and economic goals equally. However, I argue that these goals may differ in converted social enterprise and constructed social enterprises. The disconnect between social enterprise theory and practice is further highlighted in the section on empirical research in the field. My review on empirical studies on social enterprise reveals that little empirical research has focused on the social, economic, and legal activities of social enterprises reflecting the importance of this dissertation.

Chapter III: Methodology

The methodology chapter outlines methods used in this analysis of social enterprise activities. It starts by outlining the research questions and hypotheses driving this study. It then explains the rationale for using a mixed-method research design. The chapter then provides a detailed description of subjects, measures, the data collection procedure, and data analysis techniques. Next, there is a description of all the research variables. Lastly, the chapter concludes with a summary of its main takeaways.

Research Questions and Hypotheses

Previous case studies illustrate how social enterprises attend to a variety of social problems (Mair et al., 2012; Mair & Marti, 2009). However, few large-sample empirical studies on their operations exist (Terjesen et al., 2016). This research investigates techniques social enterprises utilize to advance social capabilities and to generate economic value. In doing so, it contributes to knowledge about the use of social enterprise in the United States as a human development strategy. The central question driving this study is: What is social enterprise? However, there are two important sub-questions that serve to inform the central question. These research questions and the hypotheses that align with them are:

- 1) What is social enterprise?

Hypothesis 1: A social enterprise is a social intervention that operates under any legal form and utilizes commercial business activities to advance human development.

- 2) What is the relationship between economic value and social capabilities?

Hypothesis 2: There is a positive relationship between economic value and social capabilities.

- 3) How does the legal form of a social enterprise influence its creation of economic value and social capabilities?

Hypothesis 3: Legal form influences social enterprise funding sources, creation of social capabilities, and institutional collaborations.

Hypothesis 3a: For-profit social enterprises are more likely to generate earned-income than nonprofit social enterprises.

Hypothesis 3b: Nonprofit social enterprises create more social capabilities than for-profit social enterprises.

Hypothesis 3c. For-profit and nonprofit social enterprises collaborate with different types of institutions and for different purposes.

Research Design: Mixed-Method

Social enterprise is an emerging and complex field. The lack of theoretical development in the field warrants theory generation regarding its activities. Similarly, the growing pace of its practice calls for a general overview of its experiences. This dissertation employs a mixed-method research design to produce such information.

There are two goals for using a mixed-method research design. The first goal is to deepen understanding of the influence of social enterprise as an emerging organizational sector in the United States. The second goal is to inspire new ideas and questions

regarding the creation of social capabilities and economic value in social enterprise in an effort to foster practice, research, and policy development in the field. My rationale for using mixed-methods to achieve these goals is significance enhancement, which involves mixing-methods to maximize interpretations of data (Onwuegbuzie & Leech, 2006).

Johnson et al. (2007) suggests mixing methods enables each method to complement one another. Quantitative techniques illustrate and elaborate on results from qualitative techniques (e.g. using descriptive statistics to indicate frequency of grounded themes). Qualitative techniques provide detailed descriptions of relationships influencing the quantitative relationship between variables (e.g. using grounded theory to uncover themes, then using regression analysis to examine their relationship).

Quantitative and qualitative techniques are applied in the data collection and analysis stages. The questionnaires in the data collection stage have both quantitative and qualitative questions. Onwuegbuzie & Leech (2006) suggest quantitative questions aim to describe, compare, or relate information. However, qualitative questions seek to explore, discover, or describe information. In regards to data analysis, variable-oriented analyses are used to make meaning of data. Variable-oriented analyses are defined as analyses that aim to identify patterns and/or relationships among variables (Onwuegbuzie et al., 2009). I analyze data using both inductive (examining qualitative data for patterns and themes) and deductive (looking into quantitative data for statistical summation and relationships) approaches (Johnson & Onwuegbuzie, 2004). Using inductive and deductive approaches enable me to dissect the diverse techniques social enterprises use for advancing social capabilities and economic value, while also examining their relations to one another.

In conclusion, a mixed-method research design is used to uncover information about the practices, values, and experiences of social enterprises throughout the United States. Quantitative and qualitative research techniques are applied to reveal deep insights regarding how these factors influence social enterprise as an emerging organizational sector. The following sections discuss the subjects and data, measures, and data collection procedure used in this research.

Data Collection

In an effort to recruit subjects, I reviewed information about social enterprises that is listed in three online social enterprise directories. The directories were created by major social enterprise institutional support organizations including: The Social Enterprise Alliance (SEA), B Lab, and InterSector Partners, L3C. These directories were chosen because they provide information about self-identifying social enterprises and because they are provided by well-known, legitimate social enterprise support organizations. SEA was established in 1998 and is a leading network for social enterprise in the United States that provide services such as a social enterprise knowledge center and hosts an annual conference called the Social Enterprise Summit (Social Enterprise Alliance, 2017). As a national organization, SEA has chapters in 42 states throughout the country (Social Enterprise Alliance, 2015). In Fall 2015, they introduced their Organization Directory to provide access to information regarding self-identifying social enterprises that are members of their network

B Lab is a nonprofit organization that actively works to advance social enterprise throughout the world. Created in 2006, B Lab is a leading figure in the movement to

advance Benefit Corporation legislation in the United States. They also created B Corp Certification, a certification process that evaluates the social impact of social enterprises operating under any legal form. Social enterprises with B-Corp Certification are referred to as Certified B Corps. B Lab develops a score to rate each organization's social and economic activities and makes them publically available on the B Lab Community section of their website.

SEA and B Lab directories provide a link to the websites for each social enterprise that is a part of their network. These social enterprises operate under various legal forms and are located throughout the United States (and throughout the world for B Lab). Both organizations offer institutional support services for their member social enterprises such as networking opportunities, advocacy for hybrid legal forms, and promotion of their work. Members of SEA and B Lab agree to list their contact information on their website.

Unlike SEA and B Lab, the work of InterSector Partners, L3C focuses mainly on organizations that incorporate as L3Cs. The Colorado-based consulting company was created in 2009 and works with social enterprises on various planning and evaluative projects (InterSector Partners, L3C, 2017). Every quarter, InterSector Partners, L3C publishes a tally of *active* L3Cs that it retrieves from the Secretaries of State from each state where the L3C form is available. The tally simply provides the name and state of each active L3C in the nation. Thus, I had to search for the website of each of the organizations in their directory. Many of the organizations within this directory do not have websites and were no longer active by the time I searched for them.

Altogether, the SEA, B Lab, and InterSector Partners, L3C directories contain information for 2,423 social enterprises in the United States. Websites of social enterprises in each directory were reviewed from July 2017 to August 2017 to obtain individual email addresses for their executive director(s) or chief executive officer (s). I collected the contact information for 797 social enterprises (180 for SEA and 615 for B Lab) after reviewing the websites of all the organizations within the SEA and B Lab directories. My goal was to obtain the names and email addresses of organizational directors because they generally know the most about their organizations (Bacq & Eddleston, 2016). Most organizations provide staff contact information on their website under linked titles such as “our team” “people” or “staff.” Some organizations use unique terms that are representative of their organization like Vermont Wellness Education, who lists their chief executive officer as the “chief inspiration officer.” In many cases, email addresses were not found for executive directors so the general email address was obtained if available. These email addresses were listed in the database for this research, along with business names and the names of their executive directors.

I collected the contact information for a total of 147 social enterprises from InterSector Partners, L3C’s quarterly L3C tally by searching for the websites of each business listed in the tally. Across the three directories, there were several duplicate listings of social enterprises, but each social enterprise was only entered into my database once. In total, I obtained the contact information for 942 social enterprises throughout the United States by reviewing the websites of organizations listed in the SEA, B Lab, and InterSector Partners, L3C online social enterprise directories.

Measures

Social Enterprise Model Measure. The *Social Enterprise Model Measure* was created for this study to obtain information about social enterprises that relates to their main industry, organizational structure, legal form, financial structure, and the number and types of employees working for them. The measure also captures information regarding the critical success factors, main challenges, and the lessons respondents have learned while operating their businesses. Some questions were adapted from the United States Census Bureau's 2012 Survey of Business Owners and Self-Employed Persons in an effort to increase the likelihood that the sentence structure and word usage is understandable to the general population (United States Census Bureau, 2016). Using the 2012 Survey of Business Owners and Self-Employed Persons also helped to ensure questions of importance to general business activity were included in the measure where relevant. Questions 1-26 and 28-43 in the overall questionnaire (in Appendix F) pertain to the *Social Enterprise Model Measure*.

Some questions were also adapted from the questionnaire used in the International Comparative Social Enterprise Models (ICSEM) Project (International Comparative Social Enterprise Models Project, 2017). The ICSEM project is a mixed-method study that examines social enterprise models throughout the world to increase information about their operational, financial, and legal composition. The project is organized by the Emergence of Social Enterprise in Europe (EMES) International Research Network and the Interuniversity Attraction Pole on Social Enterprise. Though based in Europe, these organizations are leading networks for researchers that study social enterprise across the world.

Social Capability Measure. The *Social Capability Measure* pertains to question 27 on the questionnaire that is shown in Appendix F. It acquires information about: 1) the types of services that social enterprises offer, 2) the actual service (activity) offered, 3) target beneficiaries for each service, and 4) the total number of beneficiaries that social enterprises serve annually. Although the *Social Capability Measure* is listed as one question on the questionnaire, it essentially has 56-items because it asks about 14 types of services (including other services) for the 4 different categories outlined above.

Procedure

After entering the contact information for 942 social enterprises into a database, each business was given a number between 1 and 942. I used the random number generator on random.org to identify thirty numbers between 1 and 942 for a pilot study. A pilot study was used to assess whether incentives should be provided for participation, as Bloom & Clark (2011) suggest incentives may encourage participation, particularly of social enterprises with limited funds. The pilot study consisted of two randomly selected groups – one that received the code for a \$25 online gift card to Amazon.com for participation and another that did not receive an incentive. Businesses with the first fifteen randomly selected code numbers were placed into the non-incentive group. Businesses with the remaining fifteen randomly selected code numbers were placed into the incentive group.

The pilot study questionnaire was administered via the online survey program Qualtrics that is available to Rutgers University researchers free of charge. Two online

surveys – one for the non-incentive group and one for the incentive group - were created on Qualtrics in order to administer the questionnaires. Two separate surveys were created to ensure the appropriate consent forms were displayed to each group during their participation. The questionnaires have all, but one of the same questions. For the incentive group, a forced-response question was displayed that asked the participant to provide an email address where they would like their incentive sent. I emailed a thank you message with the code for the online Amazon gift card to each incentive group participant within 1-3 business days of study completion. The message in the email is provided in Appendix D.

In addition to different consent forms and the incentive question, both the non-incentive group and the incentive group received different survey invitation emails. The non-incentive group email subject line stated “Rutgers University Social Enterprise Survey Invitation.” The incentive group email subject line was the same as the non-incentive group’s subject line when the survey was initially sent. However, two survey reminder emails were sent to subjects a week later and the day before the survey closed. The subject line for the incentive group in the reminder email read “Rutgers University Social Enterprise Survey Invitation - Incentive Provided.” This measure was taken because email subject lines may boost reminder email response rates, but may be viewed as spam in initial survey emails (Janke, 2014). In regards to mentioning the incentive in the body of the email, research has found it appropriate for informing subjects of incentives and for boosting overall survey response rates (Laguilles, Williams, & Saunders, 2011). The content within the email messages, as well as the consent forms sent to them with the questionnaire are respectively provided in Appendices D and E.

Results were reviewed after piloting the survey for two weeks. The original plan was that no incentive would be provided for the study if the survey response rate from both groups was equal or if the non-incentive group response rate was greater. However, only one response was collected from the pilot study. The response was from a subject in the non-incentive group, but I ultimately decided to provide incentives for the study because the respondent was from a multi-million-dollar company. Bloom & Clark (2011) suggest such respondents are more likely to respond than social enterprises with less revenue because they have the capacity to spend time on such activities. In an effort to encourage participation of social enterprises with low and high capacity, I provided incentives to all subjects (except one who declined). I covered these expenses with a \$3,000 dissertation fellowship from the Rutgers University-Camden Graduate School of Arts and Sciences.

Data Analysis

Both quantitative and qualitative research techniques are used in this study. This mixed-methods approach is used for complementarity purposes in that each method illustrates and elaborates on results of the counter method (Onwuegbuzie & Collins, 2007). The following subsections indicate qualitative and quantitative techniques I used and how the data is analyzed.

Quantitative Techniques

Descriptive Statistics. Descriptive statistics are used to summarize information collected from both the *Social Enterprise Model Questionnaire* and *Social Capability Measure*. Using descriptive statistics enables examination of the prevalence and frequency of statistical data, as well as grounded themes.

Pearson Correlation Analysis. Pearson correlation analysis is used to assess general relationships between variables.

Internal Validity

Internal validity is defined as the approximate truth of inferences regarding cause-effect or causal relationships. Demand characteristics (a.k.a. the Good Samaritan Effect) is the only threat to internal validity identified in this study. It occurs when subjects want to aid the researcher's work so they respond in a manner they feel is useful to the goal of the research.

External Validity

In an effort to assess external validity, this study compared demographic characteristics from this study to that of similar studies, revealing that the demographics of survey respondents are similar to that in other studies on social enterprise in the United States (though there are only a few). It must be noted, however, that the results of this research may be geographically distinct. Research suggests social enterprise activities may differ across geographical context (Kerlin, 2013). Though some of the findings and assertions of this research may be contextually distinct (e.g. legal form), some are also applicable across context (e.g. social enterprise definition).

Qualitative Techniques

Grounded Theory. Grounded theory contributes to theory development regarding ways social enterprises create social capabilities and economic value, and their use as a human development strategy. It is defined as an iterative process of reviewing data continuously to identify patterns or themes that can be developed into codes (Trochim & Donnelly, 2008). Codes are then grouped into categories or concepts that are used to create the foundation for a new theory. Social enterprise research has previously used grounded theory to uncover information regarding common practices, values (Shaw & Carter, 2007; Weerawardena & Mort, 2006), and impact (Ferguson & Islam, 2008).

The five-step process of grounded theory involves: coding; constant comparative analysis; writing theoretical memos; theoretical saturation and sampling; and grounded theory integration. Coding involves categorizing qualitative data. Opening coding, which involves identifying, naming, categorizing, and describing data, is used to generate codes. Constant comparative analysis involves analyzing iteratively qualitative data until “all” possible themes or codes are detected from it, known as theoretical saturation. Theoretical memos of rationales and important notes regarding themes and codes are written throughout the data analysis process. Lastly, grounded theory integration involves organizing and combining data to develop or extend a theory.

I apply grounded theory because social enterprise is a new field of study in need of theoretical development. I use it to examine open-ended questions in the questionnaire, which I treat as structured interview questions. The questions pertain to social enterprise: challenges; success factors; lessons learned from operations; techniques for positive social change; social capability activities; and the main goods and services sold. Previous

research has found the method useful for revealing social enterprise processes (Ferguson & Islam, 2008; Shaw & Carter, 2007).

Research Diary. A research diary is used to record observations pertaining to dissertation research meetings; relevant conference presentations and attendance; and research practices, methods, and instruments. Similar to a study by Froggett & Chamberlayne (2004), observations inform data analyses by providing insight about the experience of conducting social enterprise research. A total of 33 research diary entries are used to inform this study. Diary entries were initially written without categories, but the following categories were developed during my preliminary analysis: theoretical (5), methodological (9), field observations and activities (9), and reflections (10). Entries that followed were noted under these categories after they were written. Overall, having a research diary helped me record, reflect, and respond to concerns I had throughout the research process. There was no set time to write diary entries, I wrote them as I felt needed.

The theoretical notes focus on my thoughts regarding existing theories and how my work contributes to theoretical development within social enterprise literature. These entries helped to organize my thoughts about theories for my discussion section. Methodological notes pertain to research instruments, questions, subject recruitment, budget, and the project timeline. In these notes, I record changes I made to measures and methods. I also record organizations and people that I worked with to obtain information (e.g. phone call with the Social Enterprise Greenhouse CEO about the SEED Commission Act).

In addition, research diary findings also aided in developing the research measures. Field observations were used to make meaning of social enterprise concerns prior to beginning the study. For example, observations at a social enterprise conference prior to beginning the study conveyed some challenges social enterprises face. With little evidence of these challenges in social enterprise literature, I was inspired to include survey questions pertaining to the main challenges social enterprises face and the lessons that respondents have learned throughout running a social enterprise.

Diary entries were recorded in Evernote, which enables use from any computer with internet access, enabling me to write diary entries at places such as conferences, meetings, and from home.

Research Variable Descriptions

This section provides a description of each variable in this study and their significance in understanding the major concepts in this dissertation. Each variable is listed under the major section it relates to in the questionnaire.

Operations

Year. A numerical variable that indicates the year that a social enterprise was established.

Original Legal Form. This nominal variable represents the legal form a social enterprise incorporates under in its start-up phase. Social enterprise laws were created to facilitate the operations of organizations that have dual missions, but that are legally obligated to prioritize only one. Examining original legal form may foster understanding

of why social enterprises operating under particular legal forms made the deliberate effort to convert.

Current Legal Form. This nominal variable represents the current legal form a social enterprise operates under.

Creator. This nominal variable indicates the person, community, or organization responsible for originally creating a social enterprise.

Original State. This nominal variable represents the state where a social enterprise originally incorporated.

Original Investment. The “original investment” variable is a ratio variable and indicates the total amount of money used to start a social enterprise. The amount of initial investment in a social enterprise is a critical factor that may influence its success (Sharir & Lerner, 2006).

Original Funding Sources. This nominal variable indicates the sources of start-up funding used to create a social enterprise. Social enterprises receive funding from a variety of sources (Shaw & Carter, 2007), which may influence various operational factors.

State Operations. This nominal variable indicates all the states where a social enterprise operates. Particular states have been found to be more supportive of social enterprises and thus may influence their activities and levels of success (SocEntCity.org, 2016).

Government Financial Benefits. This nominal variable represents the financial benefits or incentives provided by a government agency to a social enterprise. It is an economic value indicator because it illustrates ways a social enterprise may save money.

B-Corp Certification. This nominal variable represents the number of social enterprises that have B-Corp Certification. B-Corp Certification is a form of branding/marketing for social enterprises. For B Lab members, it also provides a public record of a social enterprise progress towards its social and economic goals.

Revenue. The revenue variable is ratio and indicates the gross revenue that a social enterprise has generated within the past year. Revenue is essential to any business, but it is a critical component to achieving the social mission of a social enterprise. Some scholars theorize that all or most of a social enterprise's revenue is used to directly address social issues (Defourny & Nyssens, 2010).

Profit. The “profit” variable is nominal and represents whether or not the social enterprise made a profit, broke even, or operated at a loss within the past year.

Revenue Sources. The revenue sources variable is nominal and indicates the current sources of revenue for a social enterprise. Revenue sources are controversial in social enterprise research and discourse. Some scholars purport that social enterprises are entrepreneurial if they generate most of their own revenue (Defourny & Nyssens, 2010). Other scholars suggest social enterprises actually obtain the majority of their funding from external sources (Weerawardena & Mort, 2006). This variable helps to inform this debate.

50% Revenue Source. This nominal variable indicates the activity (e.g. sales) or source (e.g. grants) that has provided at least 50% of the revenue for a social enterprise within the past year. In doing so, the variable seeks to identify the primary revenue source for the business. This is essential to understanding social enterprise activity.

Research suggests social enterprises use innovative strategies for funding (Mair & Marti, 2006; Dees, 2001).

Sales Percentage of Revenue. This nominal variable indicates the percentage of revenue derived from sales.

Institutional Collaboration. This nominal variable indicates the institutions that the social enterprise has worked, collaborated, or engaged in any activities with within the last year. Social enterprises have been found to collaborate with institutional forms including government, foundations, corporations, nonprofit organizations, and other social enterprise. These networks are a contributing factor to social enterprise success (Sharir & Lerner, 2006). Institutional collaborations may also influence techniques social enterprises use to create social capabilities and economic value because they aid in resource acquisition (Mair & Marti, 2009; Shaw & Carter, 2007). Examining social enterprise collaborations may also provide insight about competing theories regarding whether they thrive in contexts of institutional voids (Mair & Marti, 2009), institutional support (Stephan et al., 2015), or institutional sufficiency.

Nature of Institutional Collaboration. This nominal variable indicates the nature of collaborations between the social enterprise and other institutions within the last year. Specifically, the variable indicates whether the collaboration is purposes of funding, convening, service delivery/ implementation, monitoring/evaluation, non-financial resources, or other factors. This variable provides insight about the role of institutional support in influencing social enterprise activities.

Full-Time and Part-Time Workers. These ratios variables indicate the number of full-time and part-time employees of a social enterprise. The ratio of volunteers to paid-employees is an important factor influencing social enterprise success (Sharir & Lerner, 2006).

Full-time and Part-Time Benefits. These nominal variables represent types of employee benefits that social enterprises provide their employees. Providing employee benefits have been found to increase their economic standing (Akingbola, 2015). Some social enterprises hire their beneficiaries and provide benefits such as professional development workshops and training programs to increase their human capital, and social and economic development (Maxwell et al., 2015; REDF, 2014; Ferguson & Islam, 2008). Thus, employee benefits may be a strategy for increasing social capabilities of workers.

Volunteer Involvement. This nominal variable represents the percentage of time volunteers are involved with a social enterprise. Volunteers are a critical resource for many social enterprises, especially small business social enterprises that depend on them to reduce employee expenses (Conway, 2008). In this sense, volunteer involvement is a form of economic value. However, this research does not calculate the amount of revenue saved by each volunteer.

Reflections on Operating a Social Enterprise

Main Challenge. This nominal variable indicates the main challenge faced by social enterprises. Grounded theory is used to generate themes regarding different challenges. Little information exists about challenges social enterprises face. However, an empirical investigation by Hynes (2009) reveals they face challenges related to funding, staff recruitment and retention, product pricing, and cash flow management that may hinder their growth and development. In addition, SocEntCity.org (2016) suggest that acquiring operational funding is the biggest challenge social entrepreneurs face.

Successful. The “success” variable is nominal and represents social enterprises that feel successful. Organizational sustainability is linked to social enterprise social mission, opportunity identification, and environmental dynamics (governmental support) (Weerawardena & Mort, 2006). Businesses that feel unsuccessful may have a difficult time engaging in techniques that advance their dual bottom-line.

Success Factors. This nominal variable indicates factors that contribute to the success of a social enterprise. Grounded theory is used to create themes regarding success factors. Critical success factors are assessed in an effort to examine their relation to techniques for creating economic value and social capabilities. These factors are examined to uncover whether they provide insight regarding the institutional arrangement debate.

Lessons Learned. This variable is nominal and indicates lessons learned by the social entrepreneur or social enterprise director throughout the process of operating a social enterprise. This variable was included after observations I made at social enterprise conferences where social entrepreneurs suggested that there is not enough literature

regarding the mistakes and challenges social enterprises face. Grounded theory is used to code and categorize themes regarding lessons learned.

Social Mission

Industry Issue Area. The “industry issue area” variable is nominal and represents the primary field where the social enterprise works.

Technique for Positive Social Change. This nominal variable represents the overall technique that guides how social enterprises address social problems. Grounded theory is used to generate themes regarding the different problems and how they seek to address them.

Social Capability Service Type. This nominal variable represents the different types of social capabilities that a social enterprise may work to advance.

Social Capability Service Activity. This nominal variable indicates the activities social enterprises engage in to advance social capabilities. For instance, social enterprises may create a health-related social capability wherein they engage in the activity of offering health coaches to beneficiaries. Grounded theory is used to identify themes regarding services offered to meet each social capability. Mair et al. (2012) outlined a variety of activities social enterprises engage in to leverage different forms of capital. However, no research exists on how social enterprise activities relate to different aspects of human development.

Target Beneficiaries. This nominal variable represents the types of beneficiaries that social enterprises target for their creation of social capabilities. Previous research suggests social enterprises target constituents based on the social concerns they combat

(Mair et al., 2012). Thus, this variable also corresponds to the services offered for beneficiaries.

Beneficiaries Total. This ratio variable indicates the total beneficiaries that social enterprises serve annually. The variable corresponds to the services offered variable for targeted beneficiaries.

Social Hiring. This nominal variable indicates whether social enterprises intentionally hire from vulnerable populations in order to fulfill their social mission. Respondents are asked to indicate what, if any, vulnerable population(s) they recruit employees from. Social hiring is an important factor in defining social enterprise. While some research suggests social enterprises that hire from vulnerable populations should be deemed *affirmative businesses* (Warner & Mandiberg, 2006), some leading social enterprise organizations suggest that activity is what defines social enterprise (REDF, 2014). Nevertheless, intentionally hiring people from vulnerable populations in an effort to increase their economic self-sufficiency is a popular technique that social enterprises use to meet their social goals (Akingbola, 2015; Maxwell et al., 2015; REDF, 2014; Ferguson & Islam, 2008).

Goods and Services Mission. This nominal variable indicates the relationship between the goods and services that social enterprises sell and their social mission. Creation of economic value through revenue-generating techniques such as commercial sales is theorized to aid social enterprises in achieving their social mission (Defourny & Nyssens, 2010).

Goods and Services Sold. This nominal variable represents the types of goods or services the social enterprises sell in an effort to generate revenue for their business.

Survey respondents are asked to describe the 3 top goods and services sold by their social enterprise, which grounded theory is used to assess.

Goods and Services Consumers. The “goods and services consumers” variable is nominal and represents the targeted consumers for each of the top three goods and services that a social enterprise sells as indicated by the “goods and services sold” variable.

Respondent Demographics

Organizational Position. This nominal variable indicates the position of the survey respondent in the social enterprise. Previous research suggests organizational managers have more knowledge about the overall business (Shaw & Carter, 2007).

Race. This nominal variable represents the racial background of the respondent.

Gender. This nominal variable represents the gender of the respondent. Research suggests gender influences social entrepreneur perspectives on funding (Terjesen, 2017).

Age. This ratio variable indicates the age of respondents.

Chapter Summary

This chapter outlines the methodology used to analyze techniques that social enterprises use to create social capabilities and economic value. This dissertation is a mixed-method study that consists of subjects that are upper-level directors from 115 social enterprises throughout the United States. Two questionnaires were specifically designed for this study in an effort to acquire information about social enterprise operations, creation of social capabilities and economic value, and on their operational

reflections. Questionnaires were emailed to directors for completion. Data analysis techniques employed include quantitative techniques such as descriptive statistics and Pearson Correlation Analysis and qualitative techniques such as grounded theory and research diary entries. The chapter concludes with a review and description of the major variables driving this research. The results of this research are provided in the following chapter.

Chapter 4: Findings

Chapter 4 outlines the results of this dissertation that explores the organizational, operational, economic, legal, and social characteristics of social enterprises in the United States. The first section focuses on the demographic information of survey respondents. The second and third sections respectively provide a summary of social enterprise organizational and operational characteristics. The fourth section discusses respondent reflections on operating a social enterprise, while the fourth section examines their social mission. The fifth section of this chapter investigates the relationship between key variables in an effort to answer the research questions driving this study. The last section provides a summary of the chapter.

Respondent Demographics

There is a total of 115 subjects in this study, wherein 48% are female, 42% are male, and 10% do not specify their gender. Seventy-eight percent of participants are white, 3% are African-American, 3% are Hispanic, 3% are Asian, and 2% do not specify their race/ethnicity. Subjects range in age from 21 -71 years old. The majority are between the ages of 35-49 (32%) and 21-34 (29%). All subjects hold an executive leadership position in their social enterprise. The majority are a managing director or an owner (70%).

Organizational Characteristics

Firm age and size. Overall, social enterprises range from 0 to 46 years old. Respondents that report their social enterprise is 0 (less than 1 year old) are in the start-up phase of their business. The mean year for starting a social enterprise is 2007, making them around 9 years old on average. The average social enterprise has 27 employees, though Table 3 shows that the mean is closer to the minimum number of employees so it may be skewed by outliers. This study retains outliers in quantitative analyses because they are true observations. In addition, it should be noted that the maximum number of employees for both for-profit and nonprofit social enterprises is 750 because the organization with the most employees operates under both legal forms.

Table 3 also illustrates differences between firm age and size across social enterprise legal forms. Nonprofit social enterprises are, on average, older and larger than for-profit social enterprises regardless of whether they are traditional or hybrid. In the United States, social enterprises emerged from the need for economic self-sufficiency within the nonprofit sector. The finding that for-profit social enterprises are, on average, younger than nonprofit social enterprises reflects the wave of for-profit social enterprises that emerge around and after the millennium (Kerlin, 2006).

The finding that social enterprises that incorporate under hybrid laws are typically around eight years old also aligns with the time these laws were created. Table 3 shows that the maximum age for a hybrid social enterprise is 30. However, the legal form of that social enterprise is both hybrid and traditional for-profit. In addition, hybrid social enterprises have more employees than traditional for-profit social enterprises.

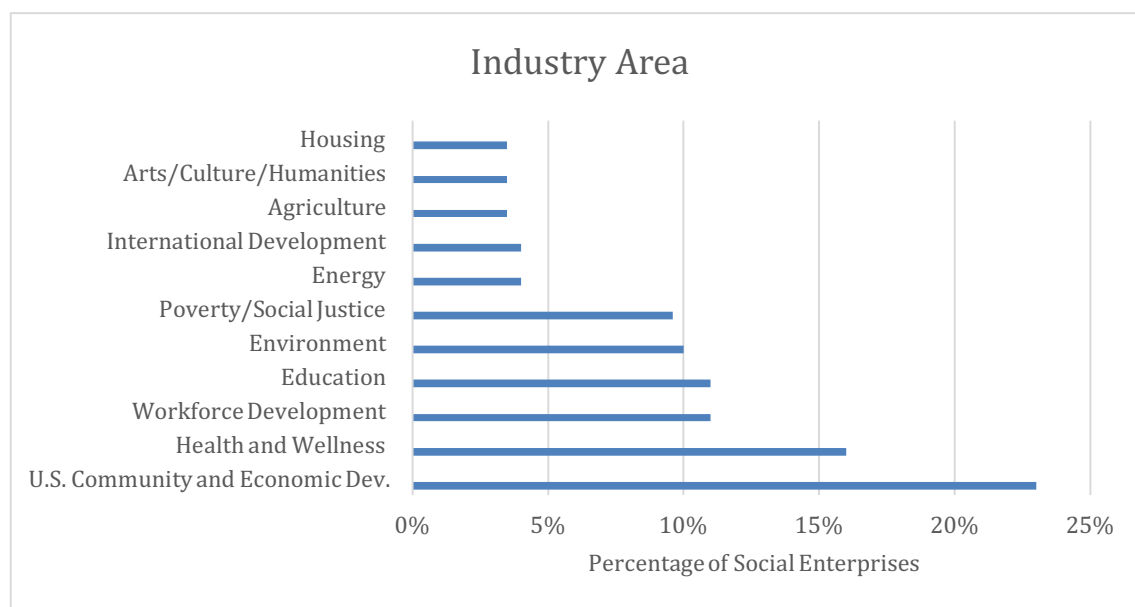
Table 3. Social Enterprise Organizational Characteristics

	N	Min	Max	Mean	Std. Dev.
Overall Sample					
Age	111	0	46	8.81	8.14
Year Established	111	1970	2016	2007	8.14
Firm Size	95	1	750	27.30	83.28
Age by Legal Form					
All For-Profits	98	0	46	8.39	7.56
Traditional FPO	45	1	46	8.36	8.89
Hybrid Law	46	2	30	8.04	5.77
Nonprofit	15	2	40	11.93	10.77
Size by Legal Form					
All For-Profits	84	1	750	26.33	87.83
Traditional FPO	39	1	103	15.03	22.68
Hybrid Law	37	1	300	21.08	49.64
Nonprofit	12	1	750	94.33	208.91

Industry. As shown in Figure 1, social enterprises operate in a diversity of industry areas. The majority of respondents indicate they focus on industry areas such as: U.S. community and economic development (24%), health and wellness (17%), workforce development (12%), education (12%), and the environment (11%). These results are similar to a practitioner study on social enterprise in the United States by the Social Enterprise Alliance. The Social Enterprise Alliance (2012) reports that most social enterprises operate within the following industries: U.S. community and economic development (20%), workforce development (19%), energy/the environment (14%), education (13%), and health and wellness (10%). The most common types of industries where social enterprises operate is almost the same. However, the percentage of social enterprises in each industry differs. My study indicates that slightly more social

enterprises operate in industries such as U.S. community and economic development and health and wellness.

Figure 1. Social Enterprise Industry Areas

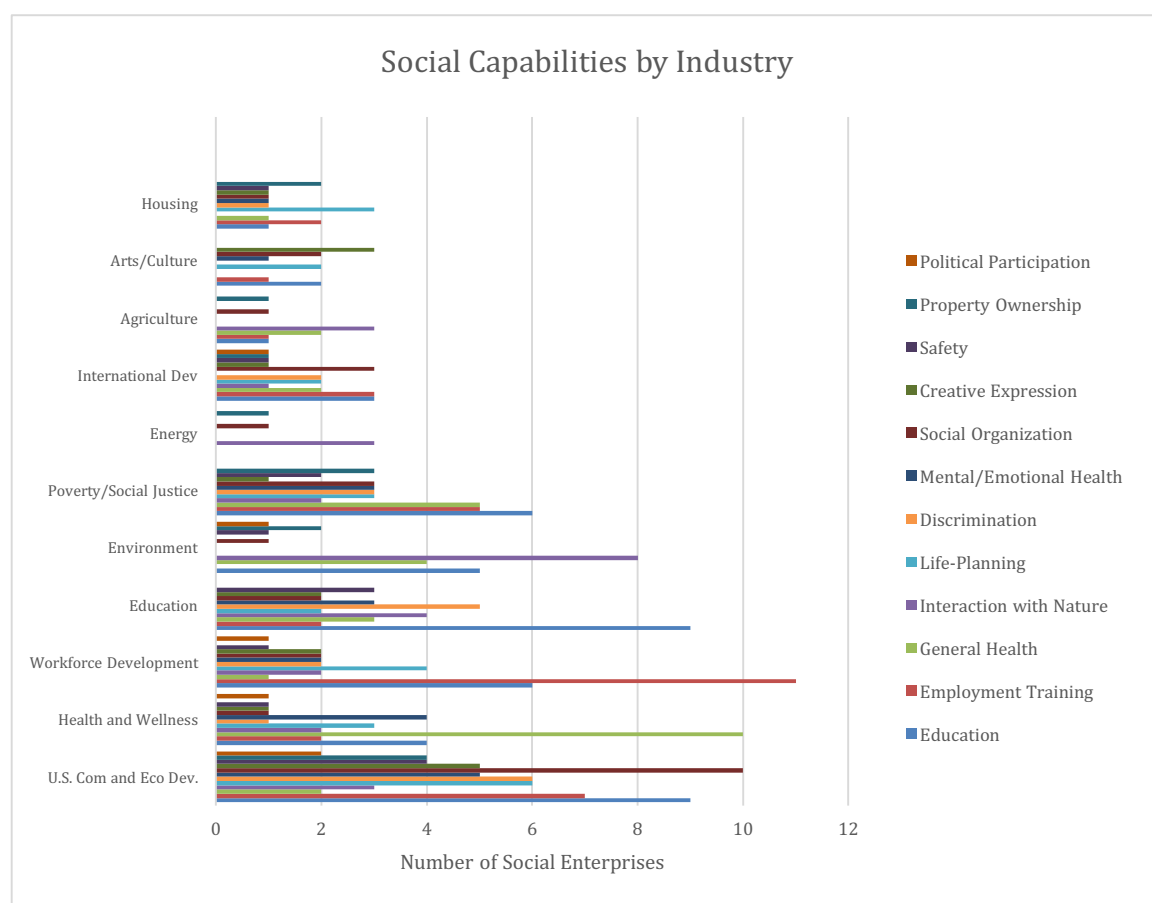


Types of social capabilities across industry. Figure 2 shows the types of social capabilities that social enterprises offer by industry. It illustrates that, even within a particular industry, social enterprises create social capabilities that are relevant to *various* aspects of human development. For example, Figure 2 shows that most social enterprises in the health and wellness industry create social capabilities regarding general health. However, they also offer social capabilities regarding education, employment training, life-planning and more.

Overall, the results show that the most common industries for social enterprises also have the most diverse creation of social capabilities. This finding illustrates how the capability approach may highlight multidimensional aspects of social programs in

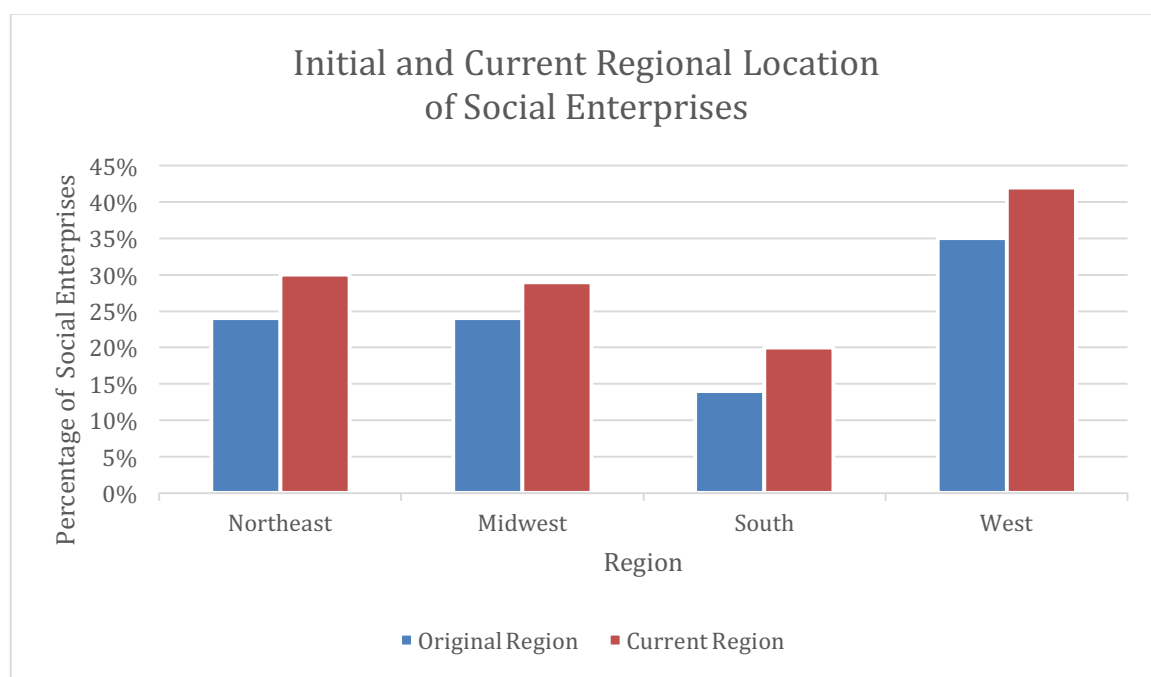
examination of organizations, conveying one of the benefits of using the capability approach. Scholars that use the capability approach in institutional research suggest it reveals unexpected activities of organizations (Grunfeld et al., 2011; Schischka et al., 2008). An important factor to note is that some social enterprises may offer diverse types of social capabilities, but may they be for the same number of beneficiaries. Stephan et al. (2016) suggests that social organizations aiming to create deep-level techniques for positive social change may seek to advance multiple areas of human life. These social enterprises take a (human) developmental approach to addressing social problems.

Figure 2. Social Capabilities by Industry



Regional location. Figure 3 shows the original and current regional location of social enterprises in the United States. The number of social enterprises operating within each region has grown over time. Some social enterprises start as a single organization then create branches and/or subsidiary organizations that are in the same or nearby states. This dissertation is the only study that examines the regional location of social enterprises in the United States. However, Murray (2015) correctly hypothesizes that most develop on the West coast due to their progressive orientation. As shown in Figure 3, most social enterprises operate currently on the West Coast (42%). However, over ¼ operate on the Midwest and 30% in the Northeast.

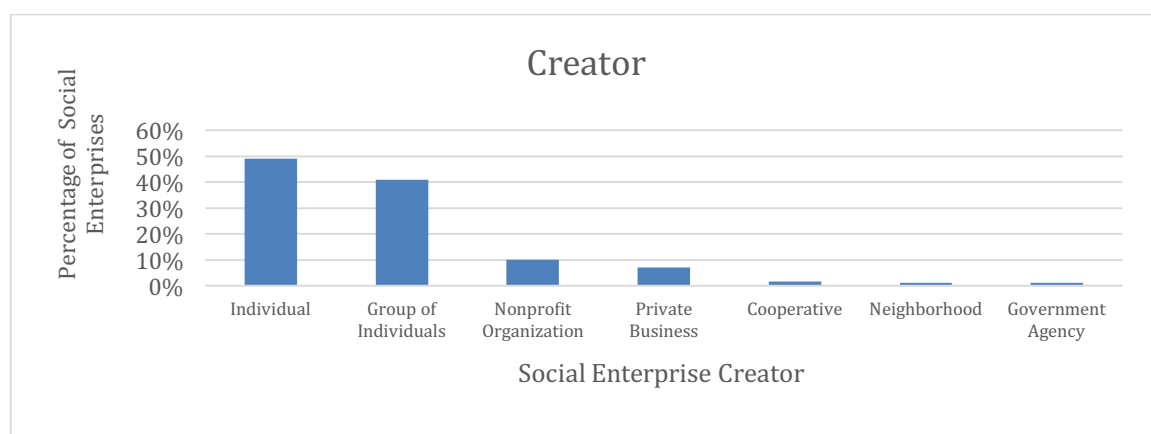
Figure 3. Initial and Current Regional Location of Social Enterprises



Note: Social enterprises may start in one location and develop several branches and subsidiaries that now operate in multiple states/regions.

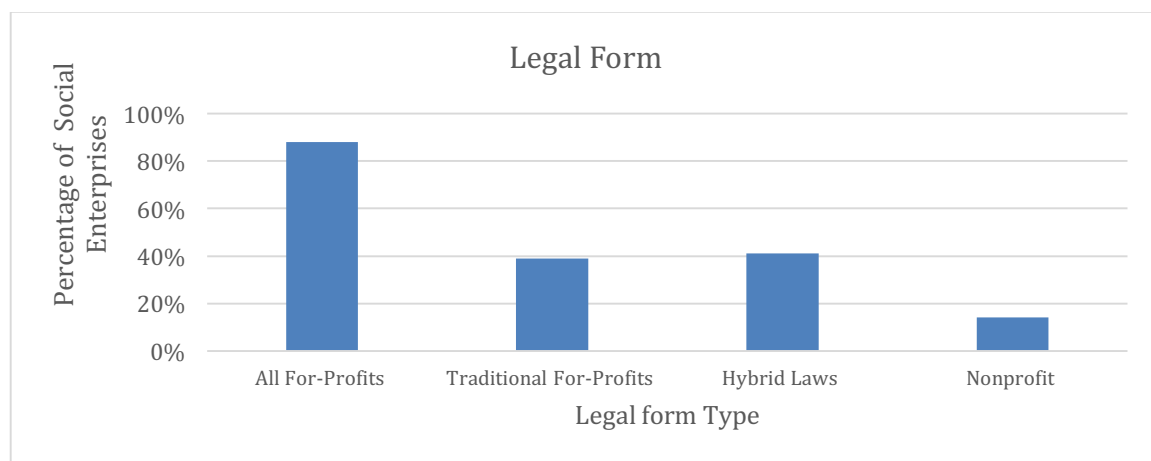
Firm creator. In regards to the types of entrepreneurs that create social enterprises, Figure 4 shows that individuals (49%), a group of individuals (41%), and/or a nonprofit organization (10%) are the main creators of social enterprises. Government agencies and neighborhoods rarely create them.

Figure 4. Firm Creator



Note: Social enterprises may have multiple creators (e.g. a group of individuals and a private business).

Legal form. As shown in Figure 5, 88% of social enterprises are for-profit businesses. Forty-one percent in the entire study incorporate under hybrid laws (e.g. Benefit Corporations). Thirty-nine percent of social enterprises solely incorporate under traditional for-profit laws (this variable excludes social enterprises that incorporate under both traditional and hybrid laws). Fourteen percent are nonprofit organizations.

Figure 5. Legal Form Type

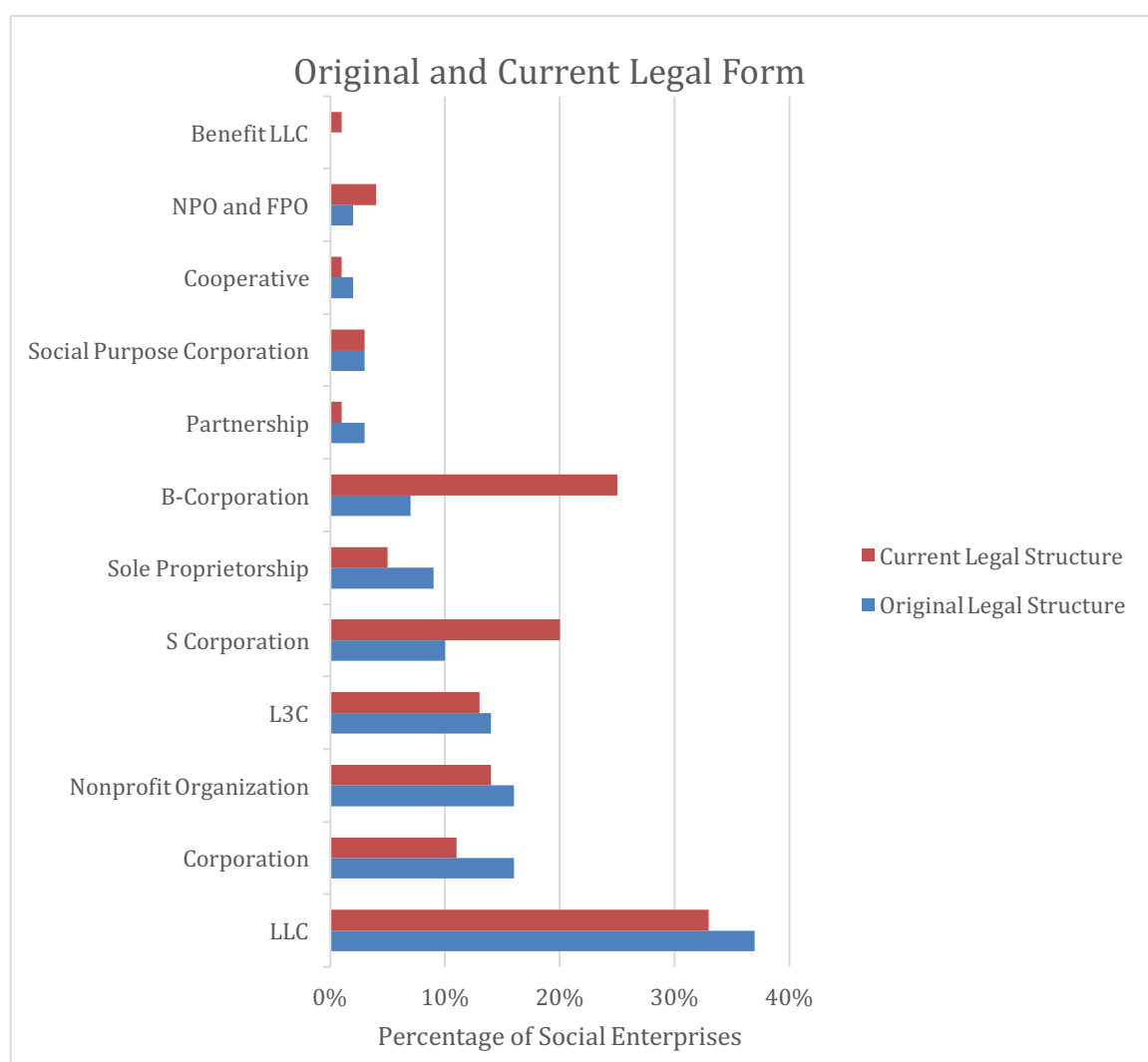
Note: Some social enterprises operate under multiple legal forms. The traditional for-profit variable only refers to social enterprises that solely operate under a traditional for-profit legal form.

Qualitative findings indicate that legal form can facilitate institutional collaboration. One respondent reports that being an L3C made the organization seem like an “insider” with nonprofit organizations. This finding may provide insight into Bacq & Eddleston (2016)’s finding that stakeholder engagement, earned-income, and government support positively relate to the scale of social impact. One way governments support social enterprise is by developing hybrid legislation that enables them to generate earned-income and engage stakeholders in new ways.

Legal form conversions. Figure 6 compares the original and current legal form of social enterprises. The vast majority of social enterprises incorporate as LLCs (33%), B-Corporations (25%), and S Corporations (20%). There is a 4% decrease in social enterprises that incorporate as LLCs. Similarly, there is a 2% decrease in the number of social enterprises that incorporate as nonprofit organizations. This may be because of the invention of newer, hybrid social enterprise laws. With the exception of LLCs, the

number of social enterprises that incorporate under hybrid laws is consistent or increases over time. The percentage of social enterprises that incorporate as B-Corporations more than triples since their initial establishment. None of the social enterprises in the study originally incorporate as Benefit LLC, but one social enterprise has converted to that legal form over time.

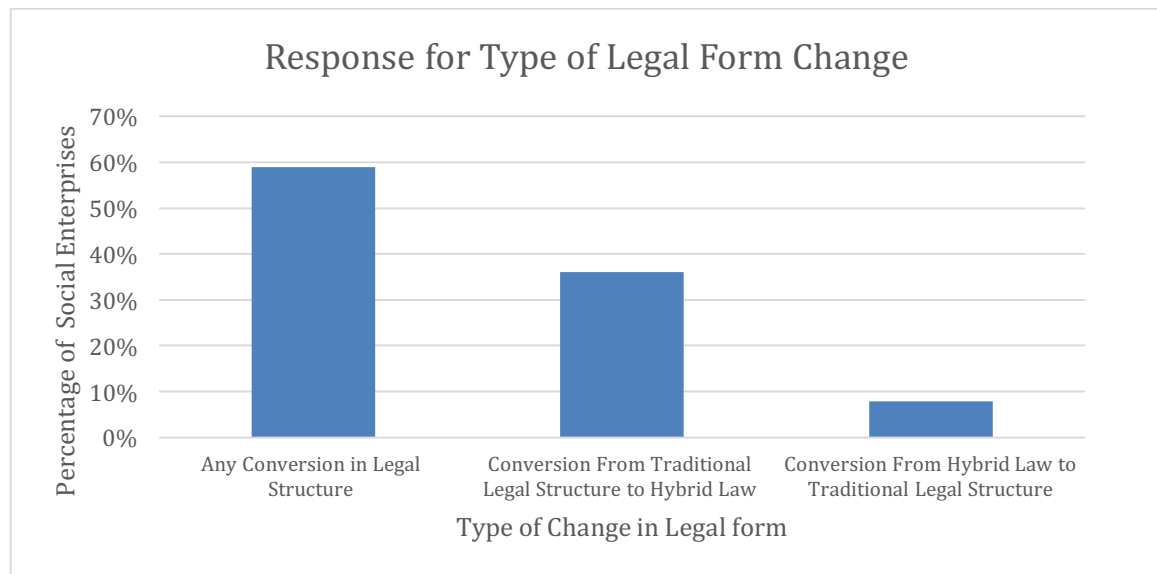
Figure 6. Original and Current Legal Form



Note: Some respondents incorporate under multiple legal forms.

Figure 7 shows that 59% of social enterprises change their legal form over time. Thirty-six percent convert from a traditional legal form (e.g. corporation, sole proprietorship) to a hybrid legal form (e.g. Benefit Corporation). This makes sense given that the push for hybrid laws stems, in part, from a desire to aid social enterprises in managing their dual bottom-line (Murray, 2012). However, 8% of social enterprises convert from a hybrid legal form to a traditional legal form. Because social enterprises are a new phenomenon, these changes may be a result of respondents needed to explore what the best legal form may be for achieving their dual goals.

Figure 7. Change in Legal Form Since Incorporation



Start-up investment. It is important to note that only 66 of the 115 respondents report their total start-up investment. This may be because some directors/executives have not been with the company since its start and thus are unaware of such information. As shown in Table 4, the mean start-up investment in a social enterprise is \$176,468. However, the large standard deviation conveys that the amount of start-up investment can

vary substantially. Four respondents report having \$0 in start-up revenue. One was able to obtain immediate paid-work, but the other respondents do not specify how they were able to start businesses without financial resources. Two respondents report receiving more than \$2 million in start-up funding. These social enterprises are for-profit businesses, less than 7 years old, and have less than 20 employees. Their start-up investment sources include grants, impact investments (only 1), and donations from their local community or their friends and family.

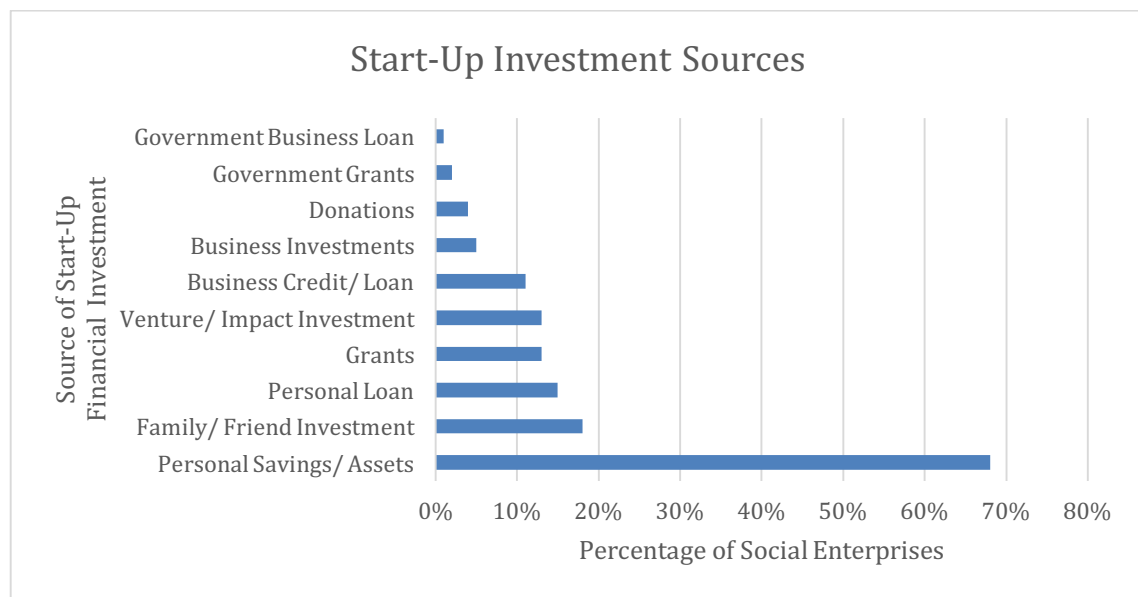
In regards to legal form, nonprofit social enterprises have the lowest mean start-up investment. However, because of the small sample size of nonprofit organizations in this study (N=14), this finding may not be representative of nonprofit social enterprises in general. The financial investment for hybrid and for-profit social enterprises is, on average, higher than that of nonprofit social enterprises. However, because many of these social enterprises are young, these investments may take some time before they see a financial and/or social return.

Table 4. Start-up Investment

	N	Min	Max	Mean	SD
Start-Up Investment	66	0	3,500,000	176,468	551,508
Start-Up Investment by Legal Form					
All For-Profit	61	0	3,500,000	188,204	572,315
Traditional For-Profit	27	0	2,500,000	169,851	485,644
Hybrid Law	27	0	3,500,000	245,351	714,027
Nonprofit	5	500	100,000	33,280	41,497

Note: The numbers for minimum, maximum, mean, and standard deviation represent dollars.

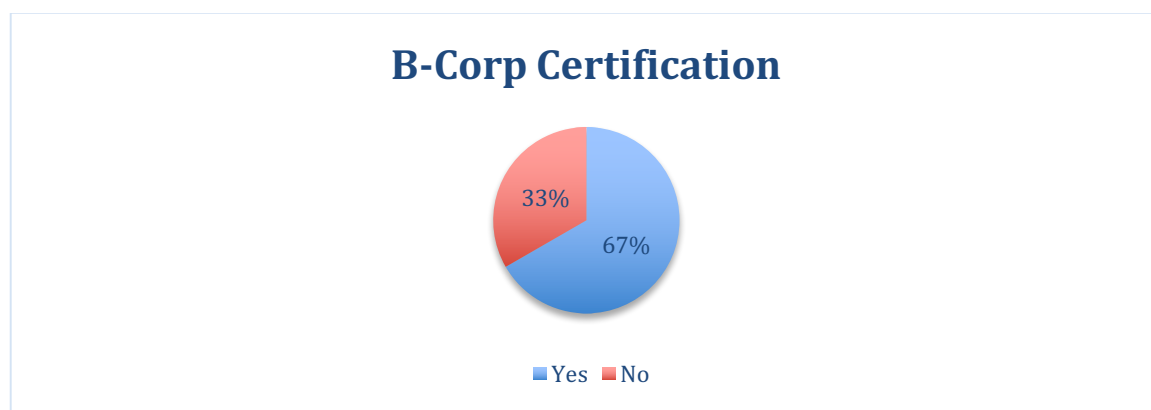
Start-up investment sources. The financial sources for starting a social enterprise are diverse. However, most social entrepreneurs use their personal savings (68%), money from family and/or friends (18%), or a personal loan (15%) to start their businesses.

Figure 8. Start-Up Investment Sources

Note: Respondents may report multiple start-up investment sources.

B-Corp certification. As shown in Figure 9, most social enterprises have B-Corp certification (67%). B-Corp certification enables social enterprises to operate under any legal form, while maintaining a public evaluation of their social and environmental activities on B Lab's website.

Figure 9. B-Corp Certification



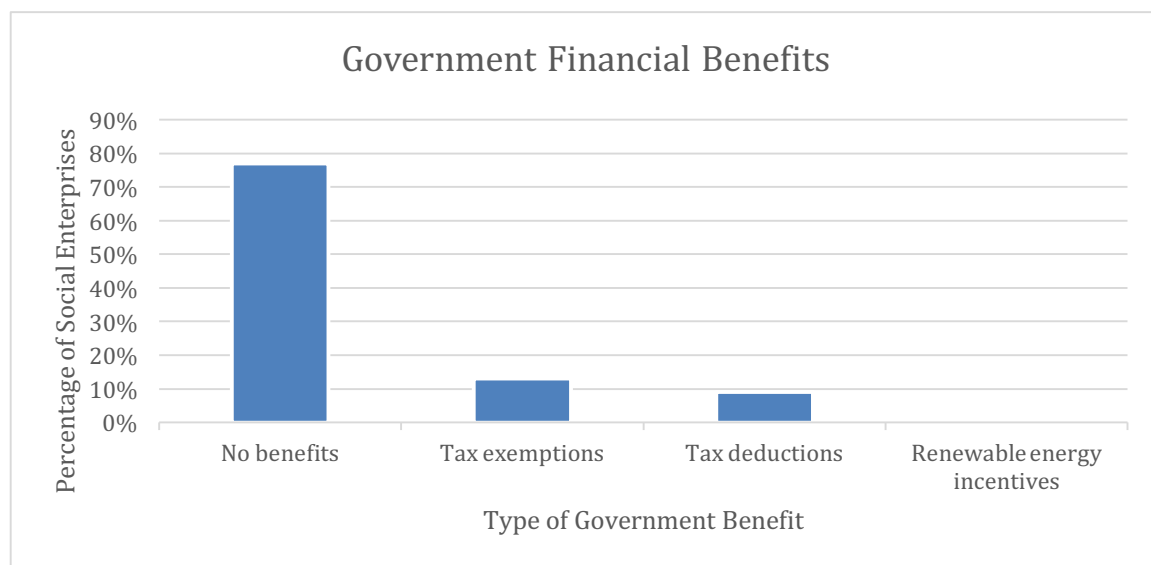
Qualitative findings regarding social enterprise success factors convey that some social enterprises (22) develop or expand their networks through joining the B-Corp certification community or by participating in social enterprise conferences and competitions. These networks and events increase their visibility and public support.

Furthermore, a common lesson respondents learn about operating a social enterprise is that B-Corp Certification aids in marketing and public support (18). Respondents feel that customers trust traditional for-profit organizations more than a social enterprise because “they [social enterprises] seem like an altruistic scam.” However, B-Corp certification and social enterprise legal forms have inspired some customers to trust social enterprise. One respondent states “B-Corp certification was a great marketing tool. I don’t have to “convince” prospective clients that we care about

our staff, the environment, and our community.” Similarly, another client states “it’s hard to trust altruism coming from a business – to the point that in many ways they will trust you better if you just try to market yourself as “hey we’re totally in this for the cold hard cash” because they would immediately believe that at least you’re 100% honest...so getting the B-Corp certification gave us a way of proving that we were genuine and sincere about wanting to do good, and help the community, and treat people right.”

Government benefits. Figure 10 shows that 77% of social enterprises do not receive any financial benefits from the government. The social enterprises that do receive government benefits receive tax exemption (13%), tax deduction (9%), or renewable energy incentives (1%). This further confirms research suggesting social enterprise in the United States receive little financial support from government (Kerlin, 2013).

Figure 10. Government Benefits



Revenue. The total revenue for social enterprises in this study is \$128,837,753 (N=102). As shown in Table 5, the average social enterprise generates \$1,263,115 in gross annual revenue. Five respondents report receiving \$0 in gross annual revenue. On average, these respondents are around 10 years old, have around 10 employees, and have a mean of \$40,000 in start-up investment. The nine respondents that make more than \$3 million in gross annual revenue are 15 years old on average, have a mean of 139 employees, and an average start-up investment of \$100,000. The differences between social enterprises with very low and very high revenues conveys that firm age, number of employees, and the amount of start-up investment may influence gross annual revenue.

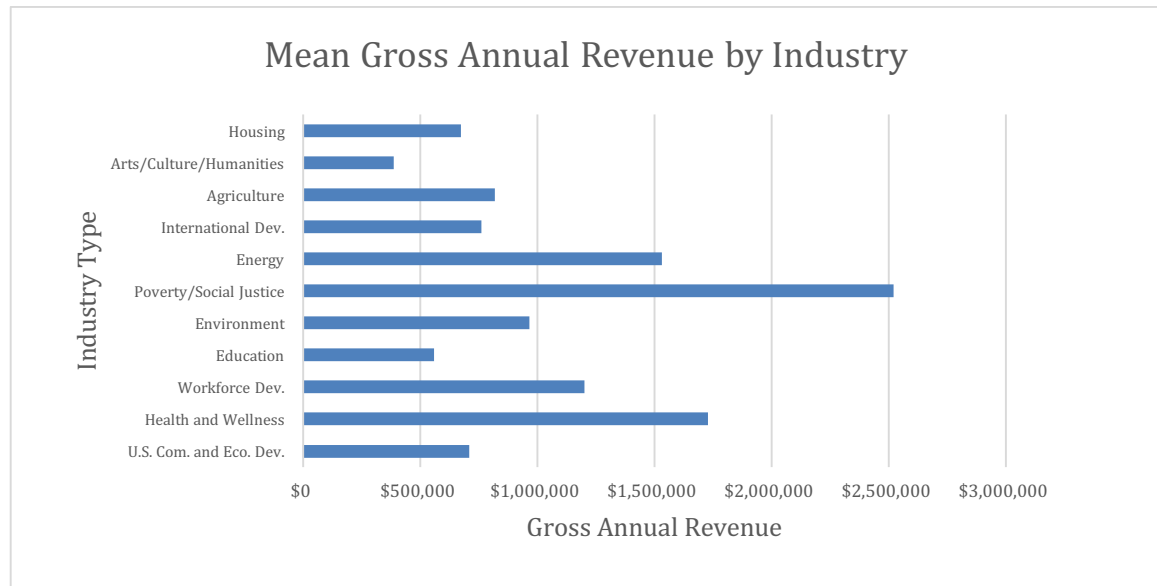
In regards to legal form, nonprofit social enterprises have a substantially higher mean gross annual revenue than for-profit social enterprises. However, the small sample size and high standard deviation of the nonprofit gross annual revenue variable indicates that there is much variation. Cross tabulations reveal that 6 (40%) of nonprofit social enterprises have gross annual revenues of more than \$1 million. Twenty-four (24%) for-profit social enterprises have gross annual revenues of more than \$1 million. These results convey that a higher percentage of nonprofit social enterprises have high gross annual revenues than for-profit social enterprises. This may be due to nonprofit social enterprises being older and having more employees than for-profit social enterprises.

Table 5. Mean Revenue Generation

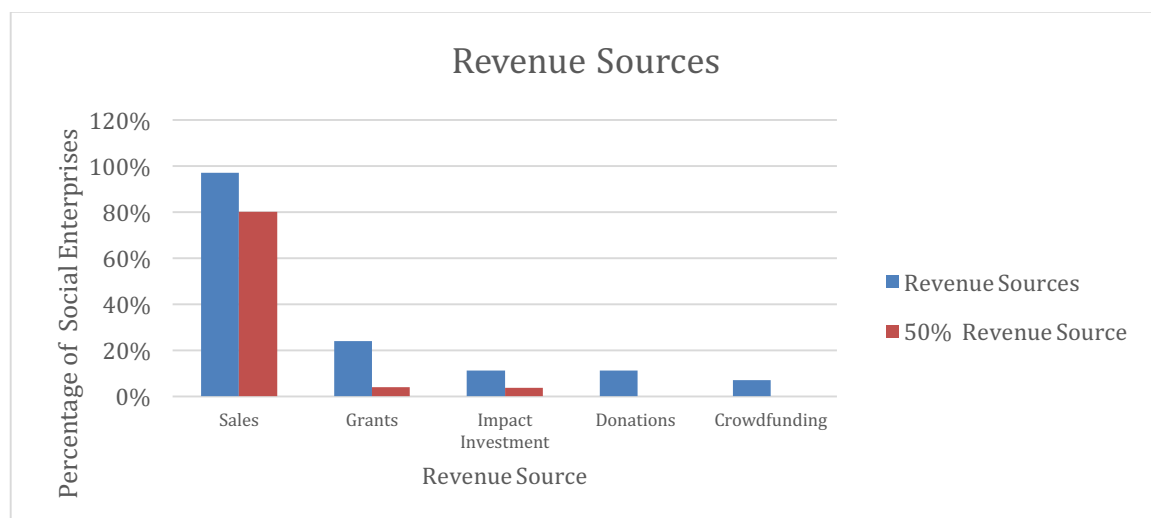
	N	Min	Max	Mean	SD
Gross Annual Revenue	102	0	20,000,000	1,263,115	2,855,319
Gross Annual Revenue by Legal Form					
All For-Profit	90	0	20,000,000	1,277,619	2,960,152
Traditional For-Profit	41	0	11,800,000	1,210,159	2,330,920
Hybrid Law	41	1,200	14,000,000	979,248	2,214,522
Nonprofit	14	0	20,000,000	2,529,428	5,351,242

Note: The numbers for minimum, maximum, mean, and standard deviation represent dollars.

Figure 11 illustrates the average gross annual revenue by industry. Results reveal that social enterprises operating in industry areas such as poverty/social justice, health and wellness, energy, and workforce development, respectively, generate more revenue on average. However, Figure 1 shows that the top three industries where social enterprises operate are: U.S. community and economic development (24%), health and wellness (17%), and workforce development (12%). This finding shows that the number of social enterprises in a particular field does not indicate their size in terms of wealth. While U.S. community and economic development is the most common industry where social enterprises operate, the industry has a smaller mean gross annual revenue than seven other industries.

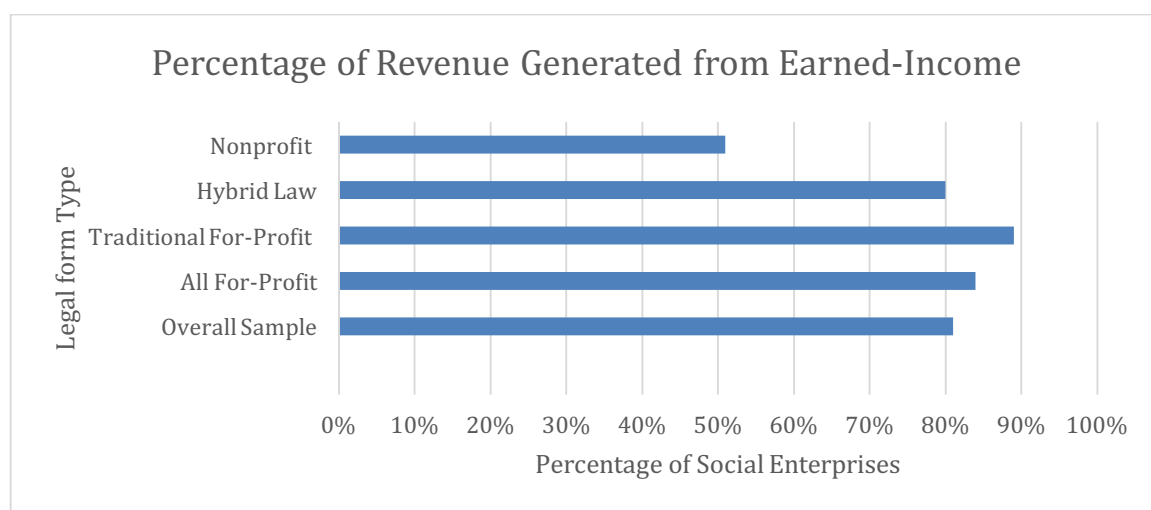
Figure 11. Mean Gross Annual Revenue by Industry

Revenue sources. Figure 12 shows that current revenue sources mainly consist of sales (97%), grants (24%), and impact investments (11%). This confirms Weerawardena & Mort (2006)'s proposition that social enterprises receive funding from various sources. Eighty percent of social enterprises receive at least 50% of their revenue from sales, confirm studies that suggest social enterprises in the United States strongly utilize commercial revenue to meet their economic bottom-line (Kerlin, 2013; Kerlin, 2006). On the contrary, social enterprises in other nations sometimes have a higher reliance on funding from government and other third-party sources (Bacq et al., 2013; Shaw & Carter, 2007). Twenty-four percent of social enterprises receive some of their revenue from grants, but that only accounts for 50% of revenue for 4% of those social enterprises.

Figure 12. Overall and Main Revenue Sources

Note: Respondents may report having multiple revenue sources.

Percentage of earned-income. Figure 13 shows that, on average, social enterprises generate about 80% of their revenue from earned-income. When accounting for legal form, social enterprises operating under traditional for-profit legislation generate the most income (89%) from commercial activity. Nonprofit social enterprises tend to generate around 50% of their revenue from sales.

Figure 13. Percentage of Earned-Income

Profit status. Figure 14 shows the majority of social enterprises either break even or make a profit (77%). However, it also illustrates that over ¼ are currently operating at a loss. Table 6 compares the mean age of social enterprises by profit status. Social enterprises that make a profit are 11 years old on average. Those operating at a loss are, on average, around six years old. Most social enterprises are small businesses that grow over time (Eversole et al., 2014). It may be natural to operate at a loss, like all kinds of businesses, during the early years of operation. This finding illustrates the need for “patient capital” when funding social enterprises because they may take several years to become profitable.

Figure 14. Profit Status

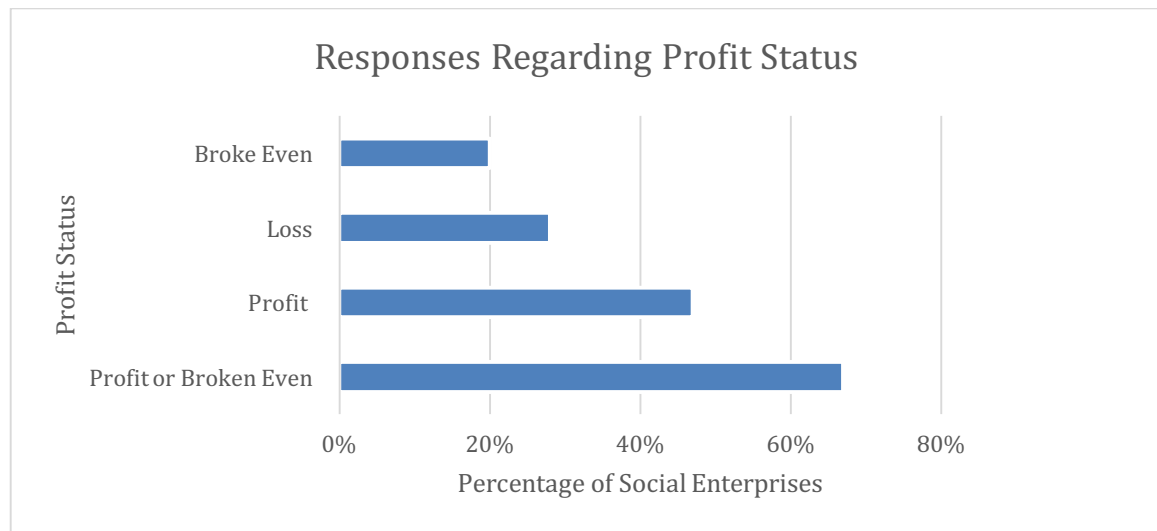
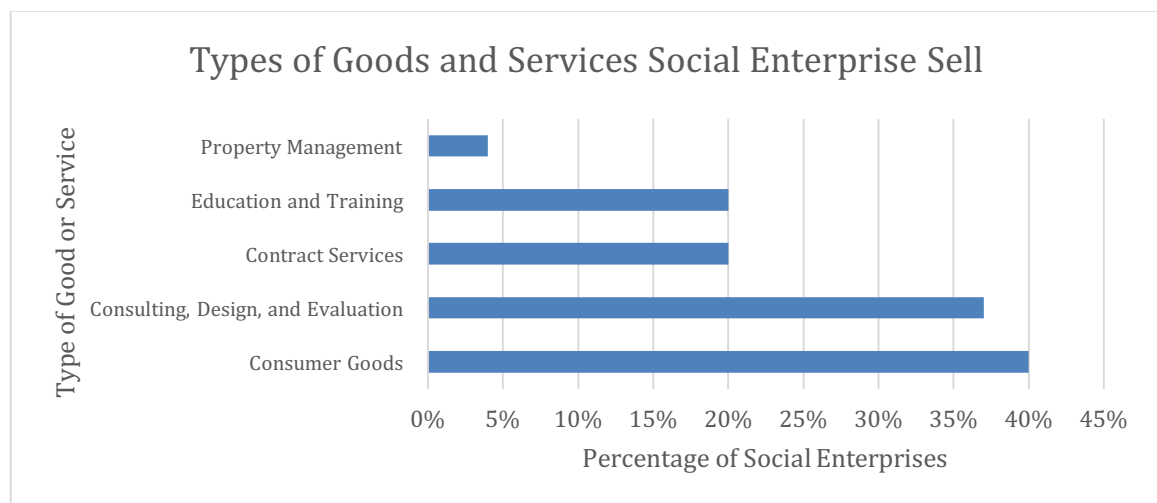


Table 6. Mean Age of Social Enterprises by Profit Status

	N	Min	Max	Mean	SD
Profit	52	1	46	10.85	9.24
Broke Even	23	2	30	7.57	5.67
Loss	32	0	40	6.13	6.94

Types of goods and services. Though social enterprises generate the majority of their revenue from sales, little empirical research exists regarding the types of goods and services they sell. In an effort to advance this knowledge, this study examines the top three goods and services that social enterprises sell. Qualitative results reveal five main categories for the types of goods and services social enterprises sell including: consumer goods (46); consulting, design, and evaluation (43); education and training (23), contract services (23), and property management (5). Figure 15 illustrates the rate that social enterprises sell each type of good or service in percentages. The following paragraphs describe each type of good or service.

Figure 15. Types of Goods and Services



Consumer goods are the most common type of good that social enterprise sell. They consist of products that clients or consumers purchase for consumption. From home furnishing to medical supplies, social enterprises sell a diversity of consumer goods. Some consumer goods are the creation of social enterprise beneficiaries. For example, some social enterprises that work with refugees, aim to increase their economic self-

sufficiency by enabling them to generate revenue by selling traditional arts and crafts that they create. Social enterprises generally sell consumer goods on a case-by-case basis, as opposed to contract services (below).

Consulting, design, or evaluation goods and services involve providing expertise in a given area (e.g. market research) or industry (e.g. energy modeling). Social enterprises offer consulting services for activities such as business planning, business certifications, strategic planning, grant writing and management, and event planning. Design services often involve website design and developing marketing campaigns. Evaluations may include risk analysis and impact assessments.

Contract services are services that social enterprises offer under a formal, legally binding contract. Contract services sometimes involve subscriptions for products, but can also include services that consumers receive for a specific time-period. Some examples of contract services are: catering, home/business meal-service delivery, custodial service, health insurance plans, credit card processing, or website hosting.

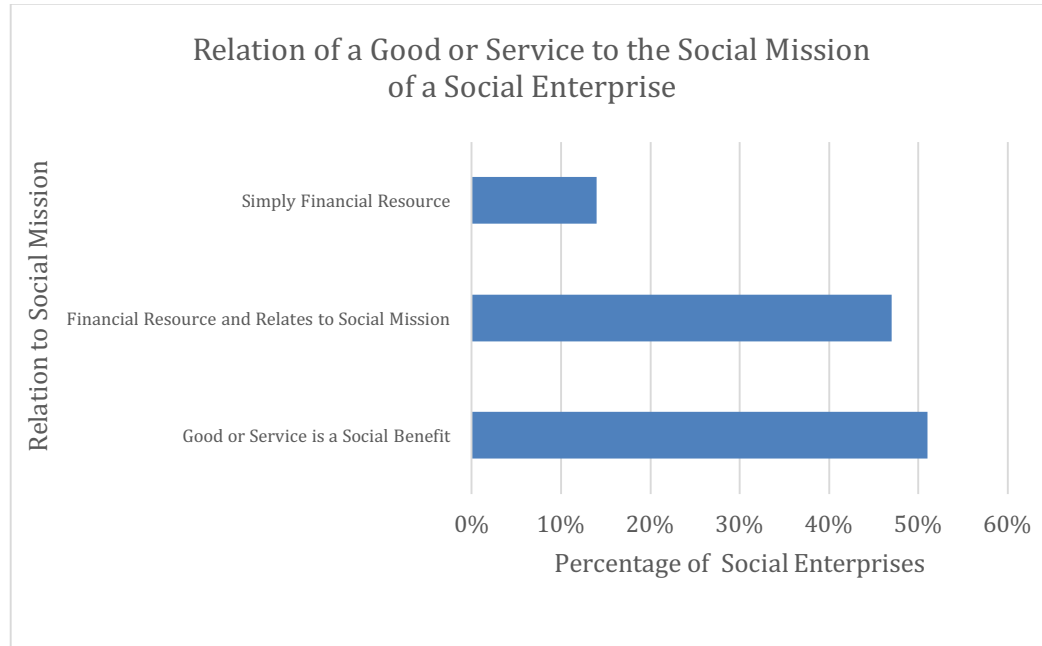
Education and training services are those that develop the knowledge or skills of consumers. Some services involve skill development for general or self-employment opportunities (e.g. knitting classes). Other services aim to increase knowledge through materials and means of communication such as books, TV shows, or informational workshops (e.g. sexual assault prevention classes).

Property management services involve buying, selling, or developing residential or commercial property. Some examples of these services may include land leasing, home sales, architecture and development services, and home rehabilitation services. Property management services, like all social enterprise services, may directly or

indirectly relate to their social mission. For example, a direct relation to a social mission may be when a social enterprise buys distressed homes to resell them as an opportunity for affordable housing in a low-income community.

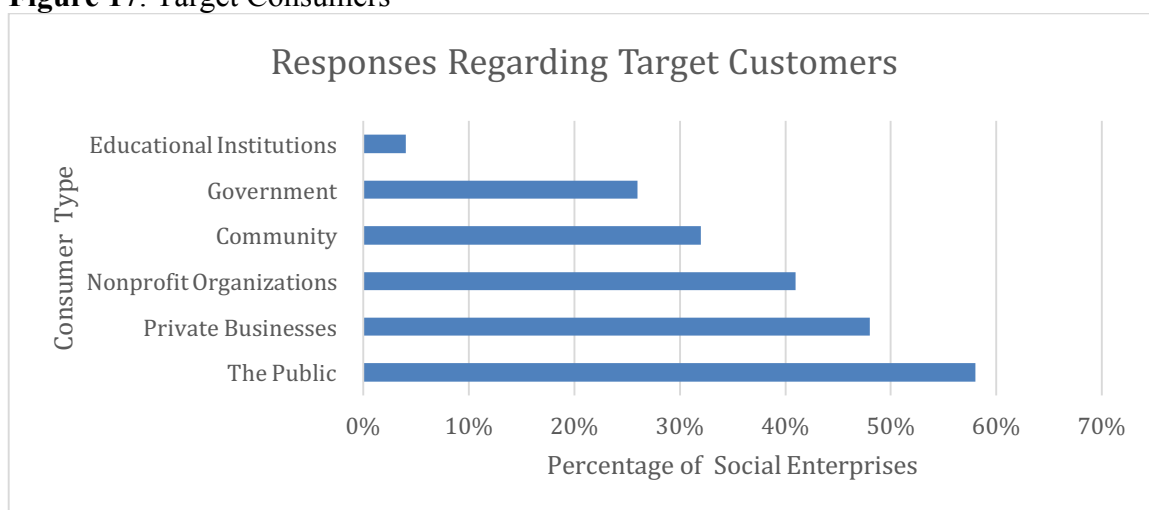
Relation of goods and services to social mission. Figure 16 shows the relation between the goods and services that social enterprises sell and their social mission. The findings in Figure 16 confirm **Hypothesis 1** that suggests social enterprises utilize business to address social problems, which is the main focus of this study. Social enterprises mainly sell goods or services that are a social benefit (59) or that are both a social benefit and a financial resource (54).

One respondent states that their good or service is a social benefit because it sells “yarn and textiles made from plastic collected from the streets and canals of Haiti and Honduras.” Goods or services that are a financial resource and relate to the social mission usually connect products or services to their beneficiary. For example, some social enterprises sell affordable consulting services to other social enterprises or social organizations. Other social enterprises may provide low-cost loans to people in low-income communities. Lastly, some social enterprises sell goods that are only a financial resource (16). An example of this is selling baked goods in order to create opportunities for social hiring. The good itself does not relate to the social mission, but the revenue it generates aids in providing the social mission.

Figure 16. Relation of Good or Service to Social Mission

Note: Social enterprises may have several types of goods and services. Each good or service may differ in relation to their social mission.

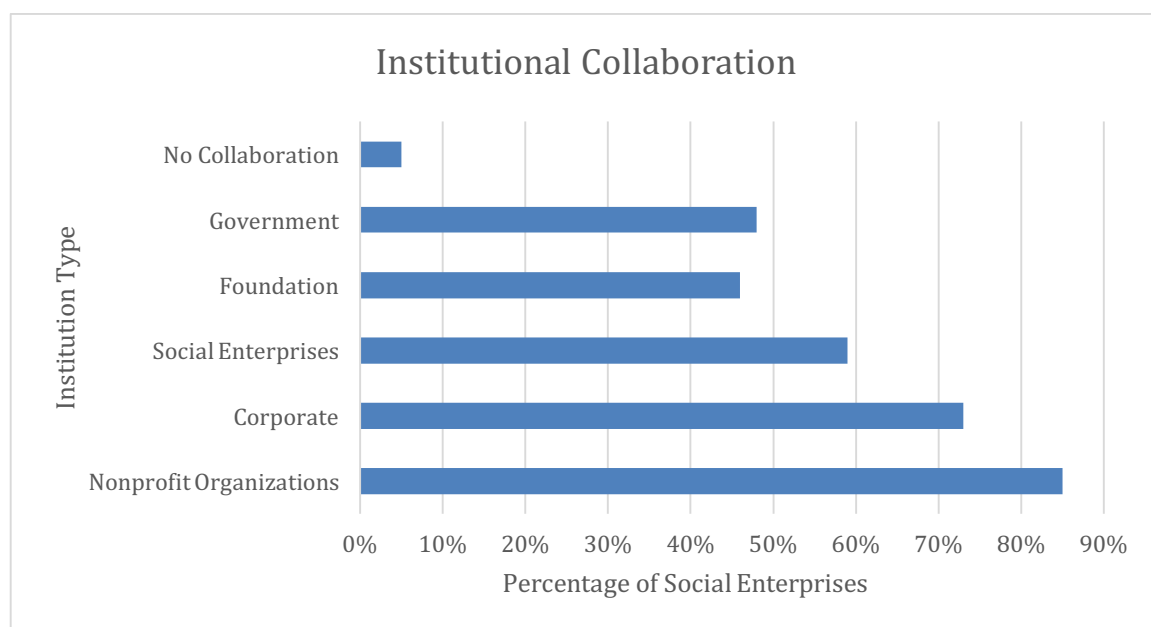
Target consumers. Figure 17 shows the diversity of social enterprise consumers. Their main target consumers include: the public (67) private businesses (55), nonprofit organizations (47), community (37), government (30), and educational institutions (5). Having a diverse consumer base may aid social enterprises in growing their social enterprise by enabling them to have multiple revenue streams in the event that one or more of their target consumers stop utilizing their goods and services.

Figure 17. Target Consumers

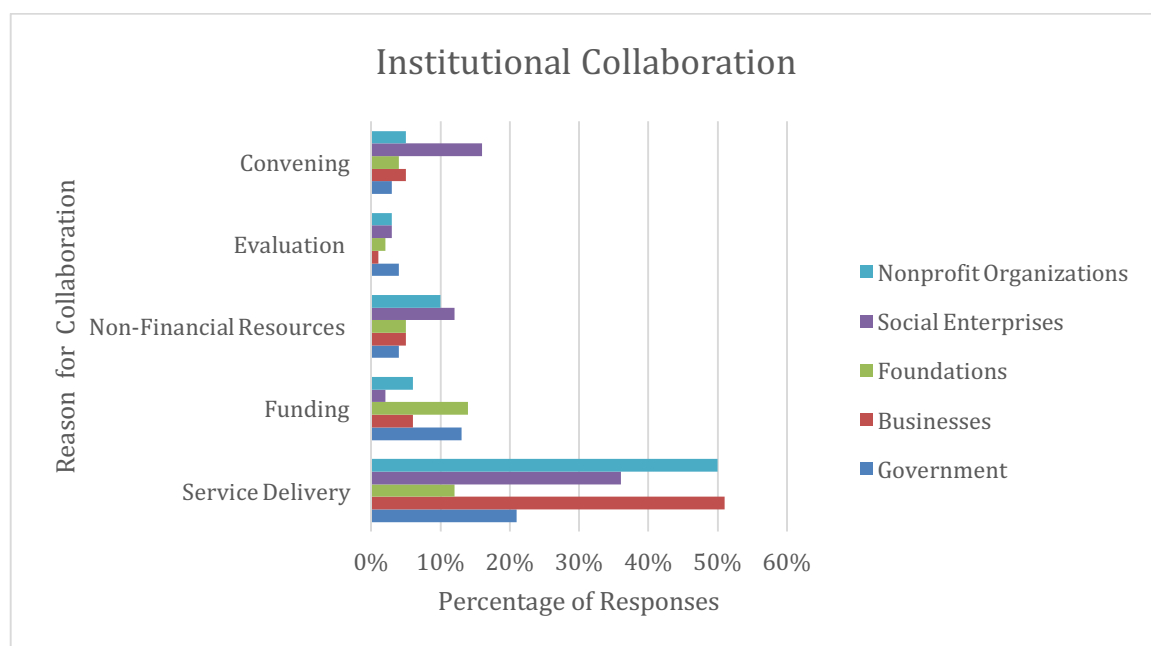
Note: Social enterprises may have several types of target consumers.

Institutional collaborations. Ninety-five percent of social enterprises engage in some form of institutional collaboration. Figure 18 shows that the majority collaborate with nonprofit organizations (85%), corporations (73%), and other social enterprises (59%). Figure 19 shows that the purpose behind the majority of these collaborations is service delivery. However, in the case of foundations, social enterprises mainly collaborate for funding. Social enterprises are least likely to collaborate for evaluation purposes.

Some institutional collaborations may relate to the high number of social enterprises whose target customers are businesses, nonprofit organizations, and government (shown in Figure 17). Many respondents report offering consulting, design, and evaluation or education and training services to these organizations. Some examples of these services include evaluating their activities, developing marketing campaigns, or hosting team building activities for leadership.

Figure 18. Types of Institutional Collaboration

Note: Social enterprises may collaborate with multiple types of institutions.

Figure 19. Reasons for Institutional Collaboration

Note: Social enterprise may engage in institutional collaborations for multiple reasons.

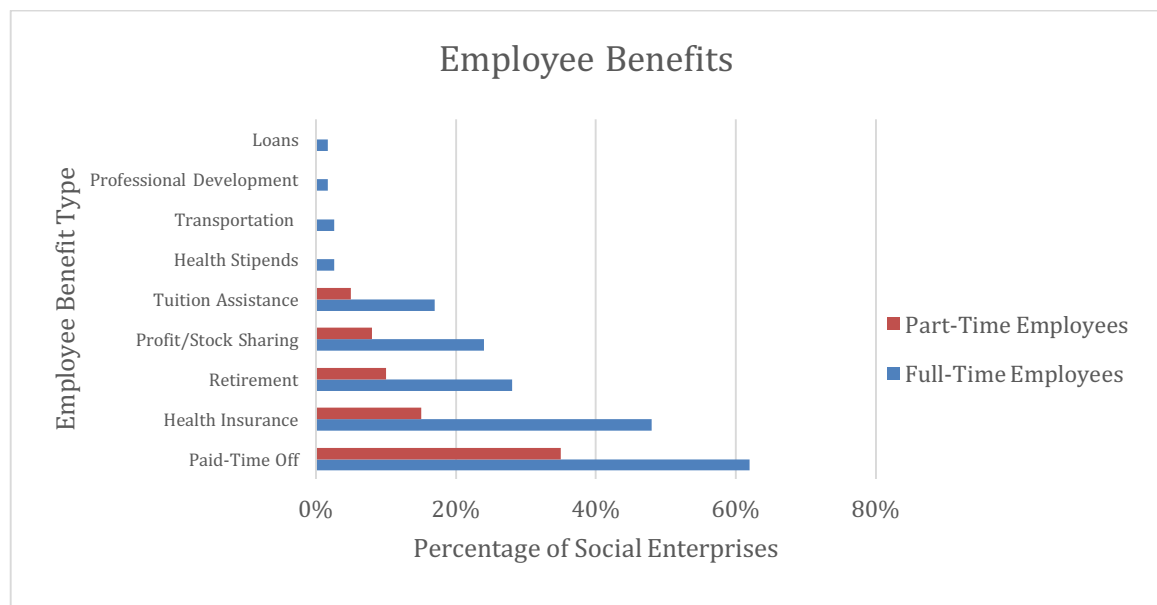
Full-time and part-time employees. Table 7 shows that, on average, social enterprises are more likely to have full-time employees than part-time employees. The high standard deviation for the number of full-time employees conveys that there is much variation in regards to full-time employee size.

In regards to employee benefits, seventy-three percent (N=84) of social enterprises provide benefits to full-time employees and 49% (N=56) provide benefits for part-time employees. Figure 20 shows the kinds of benefits that social enterprises provide their employees. Overall, full-time employees receive a greater diversity of benefits. The most common benefit for part-time employees is paid-time off (30%).

Table 7. Social Enterprise Employees

	N	Min	Max	Mean	SD	Total
Full-Time	87	0	750	24.54	86.70	2,135
Part-Time	70	0	61	5.37	8.77	376

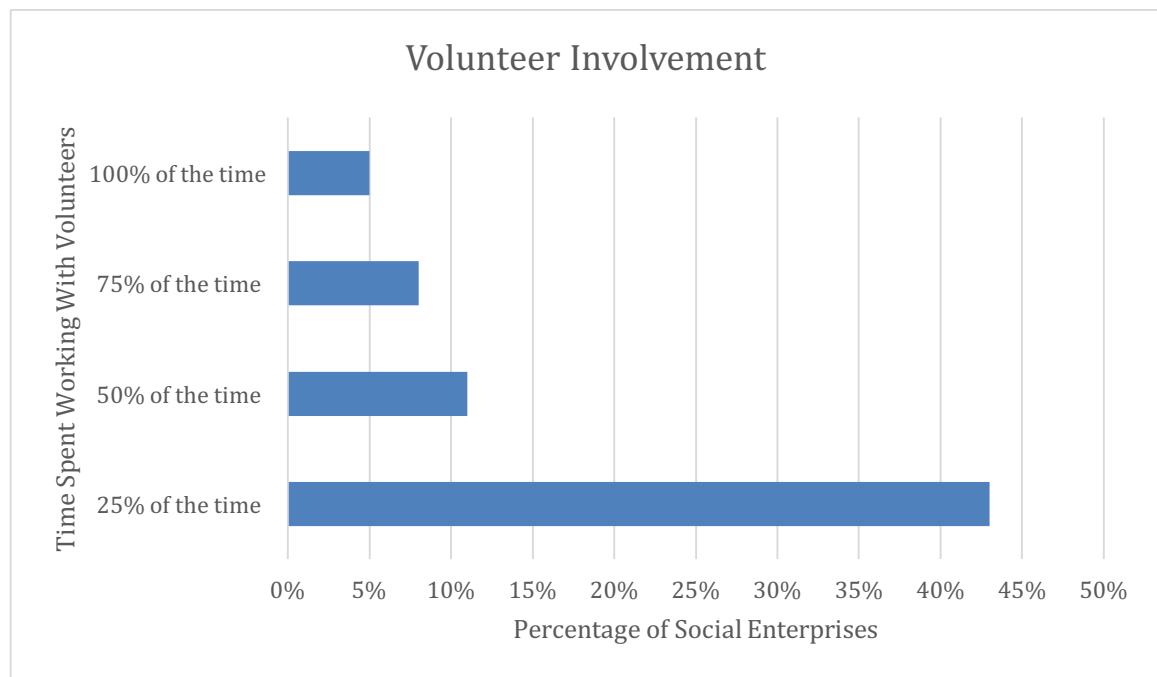
Figure 20. Employee Benefits



Note: Social enterprises may provide multiple types of employee benefits.

Volunteer involvement. Seventy percent of social enterprises work with volunteers. However, Figure 21 shows that the majority of them only work with volunteers 25% of the time. This may be because most of the social enterprises are for-profit businesses, which tend not to work engage with volunteers as regularly as nonprofit organizations.

Figure 21. Volunteer Involvement



Reflections on Operating a Social Enterprise

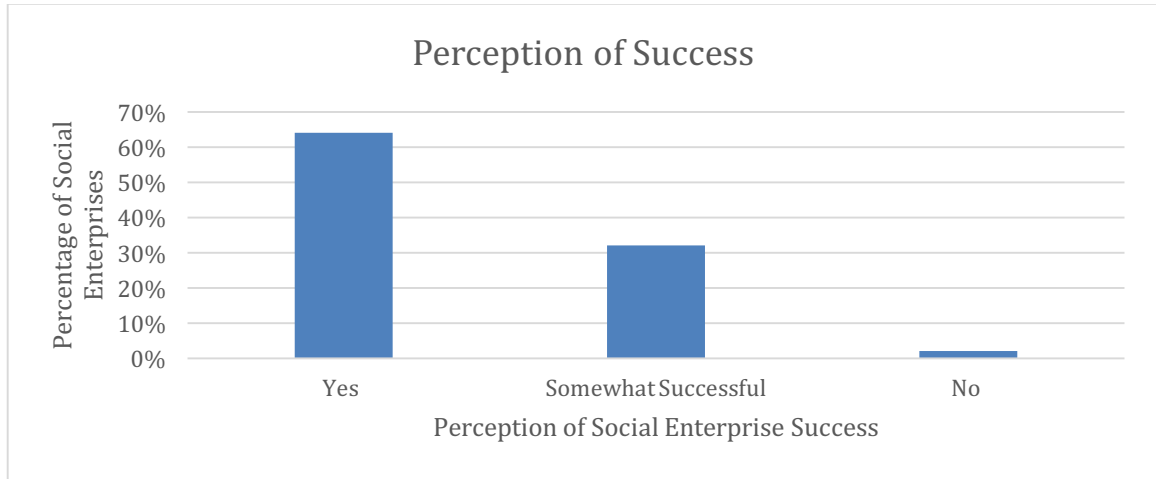
Main challenges. Figure 22 shows that the main challenges social enterprises face pertain to revenue generation (31%), marketing (27%), growth (22%), and staff skills or staff (11%). Some of the challenges regarding revenue generation may pertain to product pricing issues. Hynes (2009) suggests that, as social organizations, social enterprises have trouble pricing products and managing cash, developing competitive

marketing campaigns, and simply growing their organizations. The author suggests some social enterprises are so passionate about combating social issues that they may over-prioritize their social goals, while losing sight of the need to generate revenue that supports their operation.

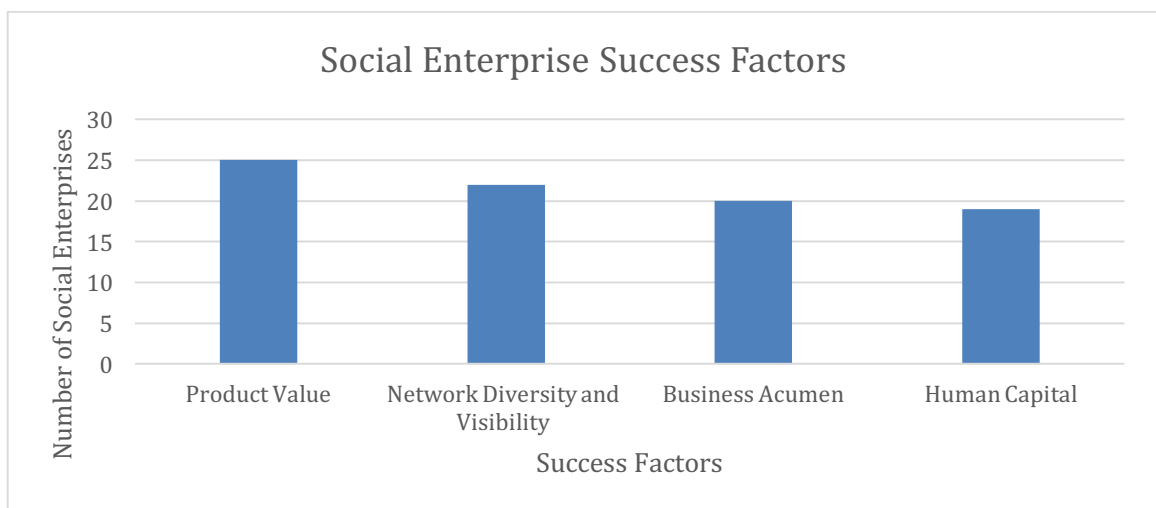
Figure 22. Main Challenge



Perceptions of success. Figure 23 illustrates that the majority of respondents believe their social enterprises are successful (64%). Thirty-two respondents feel their social enterprises are somewhat successful. Only 2 respondents feel their businesses are not successful. This conveys, that although $\frac{1}{4}$ of social enterprises operate at a loss, most do not view themselves as unsuccessful. This is likely because they know they are still growing as organizations.

Figure 23. Perception of Success

Success factors. There are four main themes regarding qualitative analyses of the factors respondents feel influence the success of their social enterprise including: product value (25), network diversity and visibility (22), business acumen (20), and human capital (19). Figure 24 shows the prevalence of each theme. The following paragraphs describe each success factor.

Figure 24. Success Factor Themes

In regards to product value, most social enterprises suggest their products or services are thought of as valuable and in-demand by their consumers, resulting in high client-retention rates. Product value also helps with marketing via “word of mouth.” For some social enterprises, there is a movement around their products. One respondent, for instance, states “the field in which I work, restorative justice, has really turned into a movement. There is tremendous interest in it.”

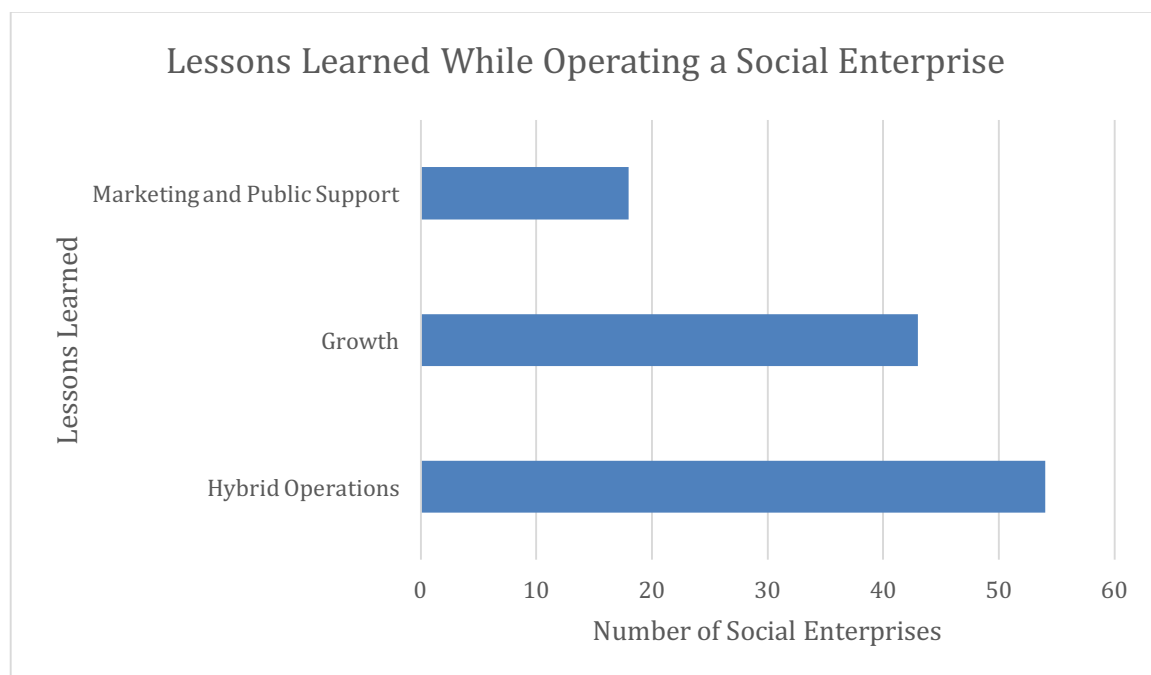
In regards to network diversity and visibility, social enterprises benefit from having diverse networks consisting of other institutions including charities, social enterprises, private businesses, and government. This network is useful for marketing, acquiring resources, and exchanging knowledge. For instance, one respondent states “strategic partnerships with other organizations [helped] when we had no money. This may explain why social enterprises engage in a diversity of institutional collaborations. As aforementioned, 95% of the social enterprises in this study engage in institutional collaborations. This confirms previous research suggesting such collaboration helps to deliver resources to beneficiaries.

Business acumen is also essential to social enterprise success. Social enterprises suggest being strategic about operations has been crucial to their work. Dedication to industry knowledge, strategic planning, and creating a culture around strong work ethic and innovation were frequently mentioned by respondents. Dedication to both social and economic goals was another theme. Respondents emphasize that business profitability must be equally as important as meeting their social goals because it fosters sustainability. This finding shows that social enterprises seek to serve as a relatively sustainable social intervention. This finding also provides support for institutional

sufficiency theory. Specifically, the positive relationship between social capabilities and economic value contribute to social enterprise sustainability (Weerawardena & Mort, 2006; Mair & Marti, 2006). Generating earned-income fosters their ability to be economically self-sufficient as they strive to meet human needs.

Lastly, human capital, consisting of cultural and skill-based factors of leadership and staff, is essential to social enterprise success. Respondents commonly use words such as “perseverant”, “passionate”, “flexible”, “talented”, and “dedicated” to describe the qualities of their staff that contribute to the success of their business. This finding contributes to literature about the influence of employee stewardship culture on meeting their goals (Bacq & Eddleston, 2016).

Lesson learned from operation. Qualitative responses of the lessons respondents have learned from running a social enterprise reveal three main lessons. These lessons relate to social enterprise hybrid operations (54), growth (43), and marketing and public support (18). Most of the lessons learned pertain to hybrid operations and growth, which may be due to social enterprises still being an emerging form of business (Borzaga & Defourny, 2004). Social enterprise is still in a stage of infancy (Hoogendoorn et al. 2010), making these findings particularly important for development of the field. Figure 25 shows the prevalence of each category of lessons. Descriptions of the lessons respondents have learned running a social enterprise follow.

Figure 25. Lessons Learned Themes

Note: Respondents may report more than one lesson learned.

The most common lesson learned pertains to the hybrid operations of social enterprise. Respondents suggest social enterprises need evidence-based plans of both their social and economic mission. Such plans are useful for maintaining focus on their dual goals in an effort to avoid mission drift. Some respondents develop these plans by remaining up-to-date on industry knowledge and through collaborating with similar organizations. Respondents stress that sales are essential for business sustainability, but the social mission fosters their perseverance through the difficulty of running the organization. One respondent explains this by stating “doing good must generate revenue to survive.”

Acquiring external funding may be difficult due to skeptics of social enterprise. One respondent suggests that “you will likely find antagonists in the non-profit and

business world.” While skeptics make external funding difficult to achieve, social capital may be more “resilient and regenerative” in that it leads to unexpected business opportunities. In addition, respondents report that collaboration is important for marketing and idea exchanging, but that social enterprises should not rely on third-parties to obtain financial resources. Third-parties like government and foundations may have limited resources because many nonprofit organizations already rely on them.

The second most common theme regarding lesson learned is growth. Respondents learned that growth takes *patience* in terms of time, financial capital, and knowledge. Having a strong business acumen is necessary for designing a strong business and impact model necessary to build a foundation for growth. Respondents suggest patient financial capital and having a “learn as you grow” mentality is essential to persevere and make it through the long haul. This finding reflects the quantitative finding that social enterprises operating at a loss tend to be younger than those that break even or make a profit.

Strong leadership and persistence is also essential for growth. Respondents feel that a trusted, independent, and motivated team of employees is essential for growth. Recruiting “talent with a service philosophy and rewarding them with employee benefits” may foster motivation. However, finding talent may be harder in small market cities. Lastly, respondents report that relying on grant funding is not sustainable, especially when it is government funding. One respondent stated that “government wants the biggest result for the lowest cost.”

While certification and legal form helps marketing and collaboration, product value is key to public support. Respondents stress that an opportunity space must be available for the product. There are core customers that believe in the social mission and

will pay a “premium price” to purchase from a social enterprise as opposed to a for-profit organization. However, some consumers purchase from social enterprises simply because they feel social enterprise is popular and trendy. In such cases, product quality is the hook that holds customers that may no longer utilize their services once social enterprise, as a movement, stops being novel.

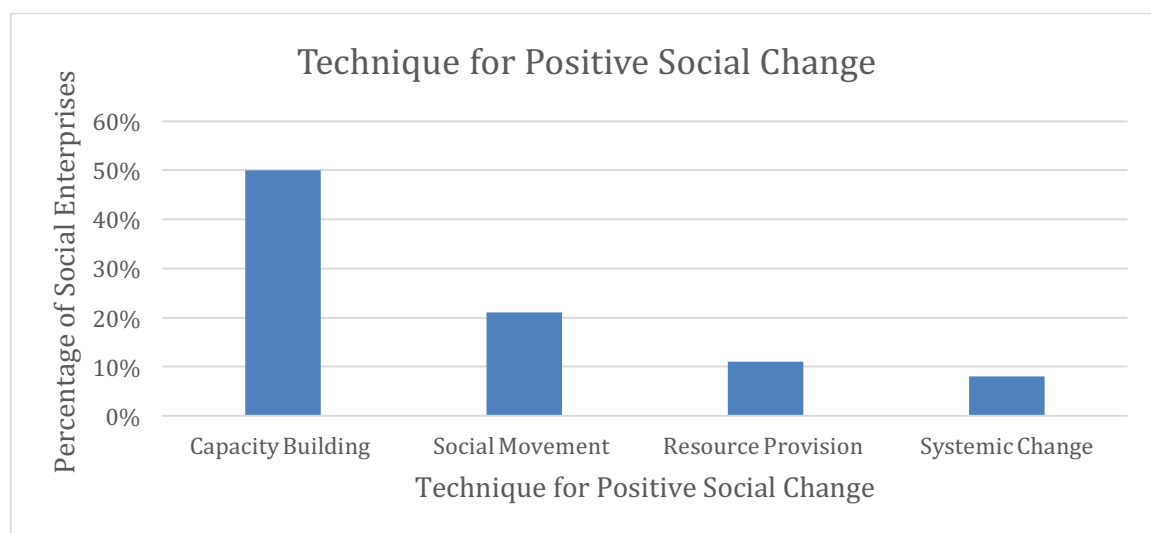
Techniques for positive social change. Responses regarding the main the social problem social enterprises combat are analyzed in terms of the overall positive social change strategy social enterprises pursue to address their target social problem. Almost all the social enterprises in this study outline a social problem that was central to the mission of the organization, illustrating their role as a social intervention.

Figure 26 shows the four main positive social change techniques this study introduces including: capacity building (57), advancing a social movement (24), resource provision (13), and systemic change (9). Capacity building involves giving impoverished people, communities, or organizations tools and skills that enable them to help themselves. Respondents utilizing this technique emphasize “self-help.” Developing a social movement consists of group action that aims to advance social change regarding one or more social issues by changing people’s habits, thinking, or lifestyle. Resource provision is the provision of goods or services that help beneficiaries combat social issues. Social enterprises may provide resources for free or at an affordable cost to their beneficiaries. Lastly, systemic change involves advocating or working with governing institutions or elites in an effort to change the social systems that govern society.

Systemic change can also apply to developing new organizations or communities that foster community-wide changes.

Social enterprises may utilize for one or more positive social change techniques within one organization, but primarily emphasize one. For instance, a social enterprise that strives for systemic change may also develop a community capacity building strategy to organize community members around a particular issue. Social enterprises may also start with one positive social change techniques (e.g. capacity building) and develop others over time (e.g. start a social movement regarding capacity building).

Figure 26. Techniques for creating positive social change.



Social Mission

Social capabilities and total beneficiaries. This study introduces a list of 13 central social capabilities that reflect the diverse types of services that social enterprises may create or offer in an effort to advance different aspects of human development. Table 8 shows that, on average, social enterprises create approximately 3 types of social

capabilities. The most types of social capabilities a social enterprise in this study creates is 11. Ten social enterprises report that they do not create any types of social capabilities. It is unclear why, but eight of them are less than 10 years of age, seven have less than 5 employees, and three are operating at a loss. These social enterprises also report that the main challenges they face relate to revenue generation, marketing, and staff size.

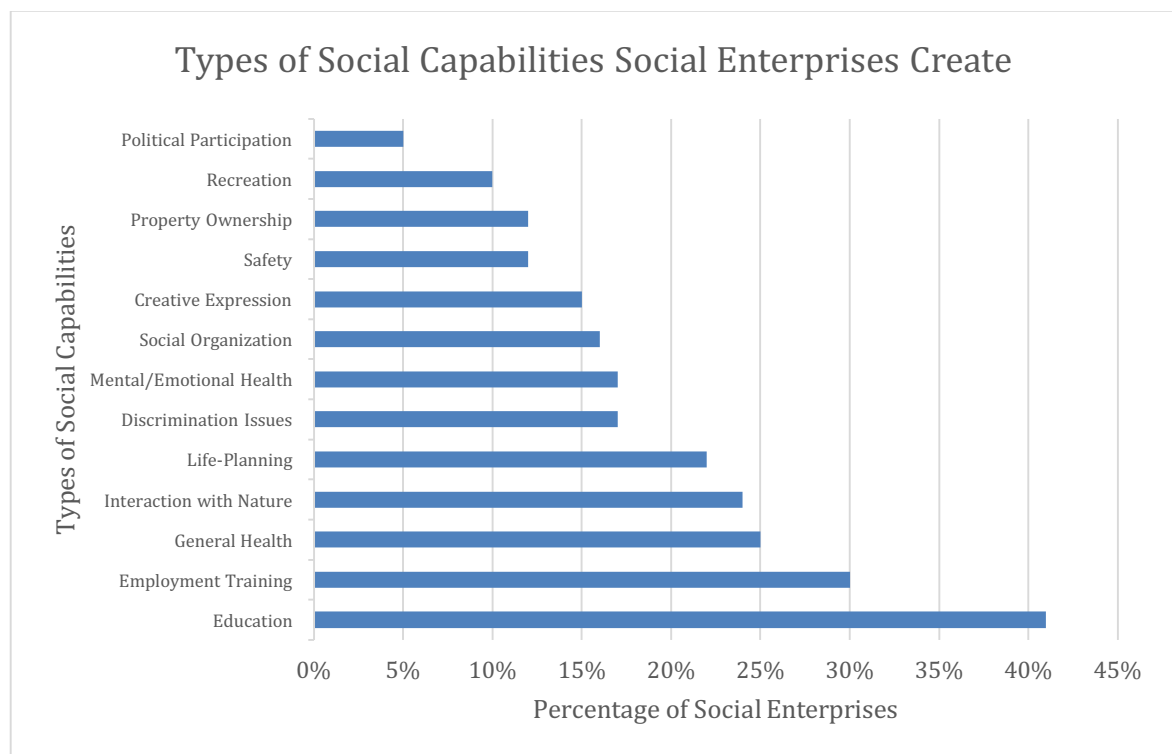
In regards to beneficiaries, social enterprises serve a total of 1,047,409 beneficiaries annually. However, only 51 respondents report the total number of beneficiaries they serve. The high non-response rate may be because many social enterprises do not measure social output or social impact. Measuring social impact can be difficult because some social enterprises may not have the appropriate measurement tools for measuring the impact of their organization. Only one organization, for example, reports that it does not serve any beneficiaries, but that may be because the organization focuses on providing renewable energy. Renewable energy is a more reliable sense of energy than using fossil fuels that may damage the environment. However, it is difficult to measure the number of such a service aids each year. Nevertheless, social enterprises serve 20,537 beneficiaries annually on average. However, the high standard deviation shown in Table 8 conveys that there is much variation in the number of beneficiaries an organization serves.

Table 8. Descriptive Statistics of Social Capabilities and Total Beneficiaries

	N	Min	Max	Mean	SD
Total Social Capabilities	100	0	11	2.78	2.64
Total Beneficiaries Annually	51	0	500,000	20, 537	73,492.26

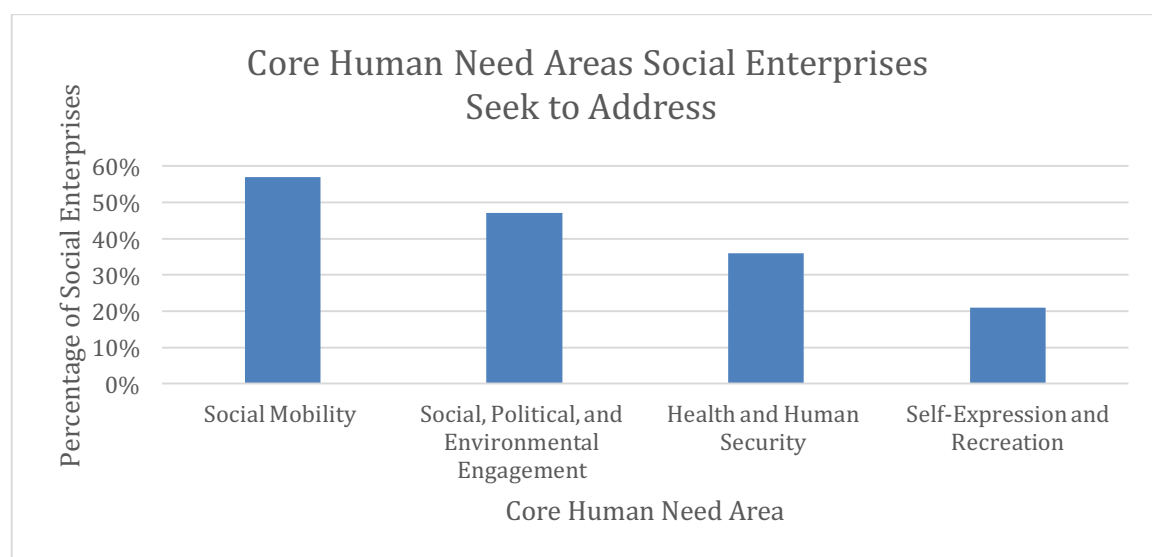
In addition, Figure 27 confirms Wongtschowski (2015)'s assertion that social enterprises advance some social capabilities more than others. The most common types of social capabilities that social enterprises create are: education (41%), employment training (30%), general health (25%), interaction with nature (24%), and life-planning/decision-making (22%). They rarely create social capabilities concerning recreation (12%) and political participation (6%). This finding may indicate that social enterprise is better for addressing some social issues than others. However, because this is the first empirical study to explore social capabilities, future research should aim to explore this further.

Figure 27. Types of Social Capabilities Social Enterprises Create



Core human need area. The Central List of Social Capabilities that this study introduces organizes types of social capabilities by the areas of core human need that they seek to address. Figure 28 illustrates shows that the types of social capabilities that social enterprises create mainly pertain to areas of human need such as Social Mobility (57%) and Social, Political, and Environmental engagement (47%). However, as shown in Table 9, the average and total beneficiaries for core human need areas such as Social, Political, and Environmental Engagement and Health and Human Security are substantially greater than other areas. Thus, although social enterprises tend to create services and programs that relate to social mobility, those with social programs that relate Social, Political, and Environmental Engagement and Health and Human Security serve more beneficiaries annually. However, once again, it is important to note that only 51 subjects report the total beneficiaries they serve annually. Future research should explore why this occurs and examine diverse ways to measure social impact.

Figure 28. Core Human Need Areas



Note: Social enterprises may seek to address more than one core human need area.

Table 9. Beneficiaries Social Enterprise Serve Annually by Core Human Need Area

	N	Min	Max	Mean	SD	Total
Social Mobility	34	5	20,000	1,215	3,560	41,325
Social, Political, and Environmental Engagement	26	0	500,000	22,189	97,722	576,917
Health and Human Security	22	12	100,150	17,950	36,513	394,912
Self- Expression and Relationships	11	5	30,000	3,114	8,938	34,255

Core human need intervention model. This study introduces the Core Human Needs Intervention Model, which outlines the *activities* social enterprises engage in to foster social capabilities. The model organizes the activities based on the core human need area they relate to and their positive social change technique. Grounded theory is utilized to develop the categories for target beneficiaries and social capability activities that are shown in Table 10. Codes for the activities are similar to those in Mair et al. (2012), which focuses on different social enterprise models that relate to increasing forms of capital (e.g. human capital, social capital) for their beneficiaries. However, the Core Human Needs Intervention Model differs in that it focuses on the activities social enterprises, as social interventions, create to meet human needs. Practitioners may utilize this model to design their social enterprises, as there is a need for such models to guide their work (Weerawardena & Mort, 2006). Descriptions of the categories follow its summary in Table 10.

Table 10. Core Human Needs Intervention Model

Activities				
	Health and Human Security	Social Mobility	Social, Political, and Environmental Engagement	Self-Expression and Social Relationships
Capacity Building	-Educating -Training -Counseling -Coaching -Financing -Facility management	-Educating -Training -Counseling -Coaching -Brokering and property management -Providing or referring employment	-Educating -Training -Counseling -Coaching -Gardening -Farming -Preserving nature	-Educating -Training -Marketing -Providing employment
Social Movement	-Convening -Reducing pollution (land and water)	-Convening	-Convening -Reducing pollution (land and water)	-Convening
Resource Provision	-Medical treatment -Providing services or products	-Providing services or products -Transitional Housing	-Providing services or products	-Manufacturing goods -Event hosting -Facility provision -Providing services or products
Systemic Change	-Advocating for public policy development	-Advocating for public policy development	-Advocating for public policy development -Developing a planned community -Developing organizations	

Social enterprises that address human needs that relate to Health and Human Security often have both a local and global focus. They engage in activities such as convening, educating, counseling, coaching, financing, training, providing services or products, facility management, reducing pollution, medical treatment, and advocating for public policy development. Their target beneficiaries include the general public, youth, businesses homeowners, professionals, disadvantaged groups and communities, and the developing world.

Social enterprises that seek to increase Social Mobility mainly focus on capacity building within particular communities or social groups. They typically engage in

activities such as convening, educating, training, financing, coaching, housing, providing services or products, counseling, brokering (e.g. real estate), providing employment, property management and development, and advocating for public policy development. Their target beneficiaries include the general public, youth, tenants, farmers, schools, businesses, professionals, homeowners, social organizations, developers and architects, disadvantaged groups, and policy organizations.

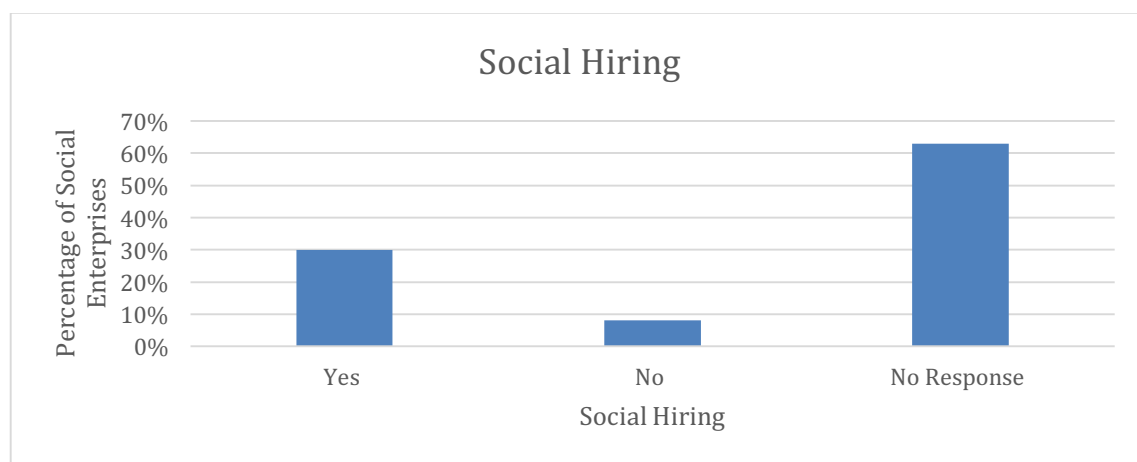
For the area of Social, Political, and Environmental Engagement, social enterprises have a greater number and diversity of activities. Their activities also have both a local and global focus. They engage activities such as convening, educating, training, gardening, farming, consulting, financing, reducing pollution, providing services or products, providing employment, developing organizations, developing planned communities, and advocating for public policy development. Target beneficiaries include the general public, voters, youth, artists, farmers, specific communities, businesses, professionals, and disadvantaged groups

Lastly, social enterprises aiming to address human needs regarding Self-Expression and Social Relationships mainly focus on resource provision and do not strive for systemic change. Their activities include convening, educating, training, marketing, providing employment, facility provision, event coordinating, providing services or products, and manufacturing products. Their target beneficiaries are youth, artists, professionals, disadvantaged groups, specific communities, and social organizations.

Social hiring. This study defines as intentionally hiring people that have difficulties securing employment. As shown in Figure 29, results reveal that 30% of

social enterprises participate in social hiring. This finding corroborates literature that suggests social hiring is common among social enterprises (Maxwell et al., 2015; Warner & Mandiberg, 2006). Surprisingly, 63% percent of respondents did not answer to the question regarding social hiring, though most provide responses to all the following.

Figure 29. Social Hiring



Relationships between key variables

The previous sections of this chapter outline findings from descriptive statistic and grounded theory analysis. This section focuses on the relationships between the key variables in this study in an effort to answer its research questions.

Economic value, social capabilities, and legal form. Table 11 shows the relationship between economic value indicators, the sum of types of social capabilities social enterprises create, and the beneficiaries they serve. In regards to economic value, The United States Small Business Administration (2016) measures the size of a business in terms of both its number of employees and its annual revenue generation. Considering

both determinants of size, Table 11 also shows that there is a positive relationship between size and the creation of diverse social capabilities.

Larger social enterprises correlate with the creation of numerous types of social capabilities, ($r = .326$, $p < .01$). In addition, there is a positive correlation between revenue generation and the creation of diverse types of social capabilities ($r = .215$, $p < .05$). This confirms **Hypothesis 2**, which suggests that the more revenue social enterprises generate the more (types of) social capabilities they will create. It is important to note that the sum of social capabilities variable refers to the total different types of social capabilities that social enterprises create. It does not represent the depth of services that social enterprises create, but highlights how their services aim to advance different aspects of human development.

There is also a positive relationship between nonprofit social enterprises and the creation of numerous types of social capabilities ($r = .190$, $p < .10$). This may relate to my finding that nonprofit social enterprises, on average, have been established longer, have higher revenues, and have more employees than for-profit social enterprises. Surprisingly, there is no significant relationship between for-profit social enterprises and the creation of numerous types of social capabilities. However, the direction of this non-significant relationship is negative. This relates to research from Robins et al. (2015) that suggests there is a negative relationship between economically-oriented social enterprises and their social mission. The reason for this may be because they are less socially conscious than their nonprofit counterparts. Being that there is a significant, positive relationship between social capabilities and revenue generation, it is important to note that nonprofit social enterprises generate high revenues.

No significant relationships are found between the total of beneficiaries that social enterprises serve annually and organizational characteristics, economic value, or legal form. A Pearson Correlation Analysis between the sum of types of social capabilities and the total beneficiaries that social enterprises serve (not shown in table) also does not reveal a significant relationship. One may suggest that social enterprises that create numerous social capabilities may work with more beneficiaries. However, that may not be the case. Social enterprises that create numerous social capabilities may work with the same beneficiaries. Stephan et al. (2016) suggests that organizations aiming to create deep-level positive social change do so by taking a developmental approach to helping their beneficiaries. Specifically, social enterprises with such an orientation may strive to address different social needs faced by the same individuals in an effort to have a more profound impact on their lives. Data from the current study does not enable exploration of this idea, but future research should examine it further.

Table 11. Pearson Correlation Analysis Between Social Capabilities, Beneficiaries, Economic Value, and Legal Form

		Sum of Types of Social Capabilities	Total Beneficiaries
Organizational Characteristics	Firm Age	-.009 (.932)	-.058 (.686)
	Firm Size	.326*** (.002)	-.055 (.722)
Legal Form	All For-Profits	-.114 (.262)	.135 (.345)
	Traditional For-Profits	-.031 (.761)	-.081 (.573)
	Hybrid Laws	-.023 (.821)	.106 (.460)
	Nonprofits	.190* (.060)	-.135 (.345)
Investment and Revenue	Initial investment	.145 (.274)	-.071 (.697)
	Gross Annual Revenue	.215** (.045)	.049 (.745)
	50% of Revenue from Sales	-.023 (.821)	.133 (.352)
	76-100% of Revenue from Sales	-.063 (.558)	.189 (.209)
	Sales Percentage	-.021 (.846)	.174 (.248)

P<.10*; p<.05**; p<.01***

Note: Coefficients shown in the table are correlation coefficients; p values are shown in parentheses.

Relationship between legal form and economic value creation. Table 12 confirms **Hypothesis 3a**, which suggests that legal form influences funding sources. There is a significant positive relationship between the percentage of revenue social enterprises generate from sales and being a for-profit social enterprise ($r=.253$, $p<.01$). Nonprofit social enterprises are unlikely to obtain a high percentage of revenue from sales, ($r= -.307$, $p<.01$). For-profit social enterprises receive around 76-100% of revenue from sales, ($r=.308$, $p<.01$). This may illustrate why, as shown in Table 10, there is not a significant, positive relationship between for-profit social enterprises and advancing numerous types of social capabilities. For-profit social enterprises may prioritize economic value more than fostering social capabilities. However, because there is no significant relationship between gross revenue and being for-profit, this finding may also be due to organizational sustainability or growth challenges.

The relationship between gross annual revenue and being a for-profit social enterprise is not significant, ($r=.014$, $p>.05$). However, for-profit social enterprises are on average is 8 years old so, once again, they may still be in the start-up phase. Confirming **Hypothesis 3b**, a positive correlation is found between being a nonprofit social enterprise and gross annual revenue, ($r=.178$, $p<.10$). The nonprofit social enterprises in this study are, on average, larger in size and age than for-profit social enterprises, whether they incorporate under traditional or hybrid law.

One surprising finding is that there are no significant relationships between hybrid social enterprise laws and any economic value indicator. Little empirical information is available on the influence of hybrids laws on social enterprise operations so this study cannot determine reasons for this result. However, the results in Table 3 indicate that, on

average, social enterprises that incorporate under hybrid laws generate less gross annual revenue and are younger than traditional for-profit and nonprofit social enterprises. Such factors may they are still developing organizations, particularly since none of these laws have even been around for more than a decade.

Table 12. Relationship between Legal Form and Economic Value

Revenue Source		For-Profit	Traditional For-Profits	Hybrid Laws	Nonprofit
Profit Status	Profit	.071 (.459)	-.025 (.791)	.066 (.488)	-.065 (.498)
	Profit or Breakeven	.074 (.447)	-.111 (.253)	.143 (.138)	-.035 (.719)
	Loss	-.079 (.406)	.086 (.365)	-.126 (.185)	.041 (.664)
Investment and Revenue	Initial investment	.075 (.550)	-.010 (.936)	.105 (.403)	-.075 (.550)
	Gross Annual Revenue	.014 (.889)	-.015 (.879)	-.082 (.413)	.178* (.074)
	50% of Revenue is from Sales	.195** (.039)	.041 (.668)	.010 (.915)	-.227** (.016)
	50% of Revenue from Grants	-.327*** (.000)	-.174* (.067)	-.005 (.961)	.296*** (.002)
	76-100% of Revenue is from Sales	.308*** (.002)	.216** (.029)	-.062 (.535)	-.356*** (.000)
	Sales Percentage	.253*** (.010)	.168* (.090)	-.033 (.742)	-.307*** (.002)

P<.10*; p<.05**; p<.01***; p<.001****

Note: Coefficients in the table are correlation coefficients; p values are shown in parentheses.

Relationship between institutional collaborations and legal form. Though several studies discuss the importance of institutional collaborations for social enterprises (Mair & Marti, 2009), there is no literature on the relationship between the institutional collaborations and social enterprise legal form. **Confirming Hypothesis 3c**, Table 13 shows that legal form does influence the type and purpose of social enterprise institutional collaborations.

There is a negative correlation between for-profit social enterprises and collaborations with other social enterprises ($r = -.190$, $p < .10$), foundations ($r = -.224$, $p < .05$), and government ($r = -.208$, $p < .05$). There is also a negative correlation between for-profit social enterprises and collaborations for purposes of funding ($r = -.255$, $p < .01$), non-financial resources ($r = -.177$, $p < .10$), and convening ($r = -.210$, $p < .05$). It makes sense that for-profit social enterprises do not correlate with collaborating for purposes of funding and non-financial resources because that is representative of for-profit organizations in general.

Traditional for-profits, however, positively correlate with having collaborations with other businesses ($r = .170$, $p < .10$). Traditional for-profits negatively correlate with collaborations for purposes of funding ($r = -.227$, $p < .05$), but tend to collaborate for evaluation purposes ($r = .238$, $p < .05$). There is a negative relationship between social enterprises that operate under hybrid laws collaborations with foundations ($r = -.193$, $p < .10$). Social enterprises that operate under hybrid laws also negatively correlate with collaborating for purposes of convening ($r = -.217$, $p < .05$).

There is a significant, positive correlation regarding collaborations between nonprofit social enterprises and other social enterprises ($r = .218$, $p < .05$), foundations

($r=.264$, $p<.01$), and government ($r=.192$, $p<.05$). Nonprofit social enterprises also positively correlate with collaborating for purposes of funding ($r=.323$, $p<.01$), non-financial resources ($r=.260$, $p<.01$), and convening ($r=.168$, $p<.10$).

Table 13. Relationship between Legal Form and Institutional Collaborations

Revenue Source		For-Profit	Traditional For-Profits	Hybrid Laws	Nonprofit
Institution Type	Nonprofit Organizations	-.103 (.295)	-.064 (.513)	-.047 (.633)	.113 (.253)
	Businesses	.088 (.380)	.170* (.088)	-.126 (.208)	-.054 (.587)
	Social Enterprise	-.190* (.059)	-.002 (.986)	-.150 (.139)	.218** (.030)
	Foundations	-.224** (.025)	-.069 (.498)	-.193** (.055)	.264*** (.008)
	Government	-.208** (.033)	-.043 (.662)	-.004 (.964)	.192** (.050)
Purpose of Collaborations	Service Delivery	.029 (.771)	-.077 (.430)	.119 (.224)	-.054 (.580)
	Funding	-.255*** (.008)	-.227** (.019)	-.041 (.676)	.323*** (.001)
	Non-Financial Resources	-.177* (.069)	-.109 (.268)	.002 (.983)	.260*** (.007)
	Evaluation	.127 (.194)	.238** (.014)	-.155 (.112)	-.138 (.158)
	Convening	-.210** (.031)	.033 (.736)	-.217** (.025)	.168* (.084)

$P<.10^*$; $p<.05^{**}$; $p<.01^{***}$; $p<.001^{****}$

Note: Coefficients shown in the table are correlation coefficients; p values are shown in parentheses.

Chapter Summary

This chapter explores the organizational, operational, economic, legal, and social characteristics of social enterprises in the United States. In doing so, it reveals that social enterprises, in general, are small businesses that work in a diversity of industries within each region of the nation. They operate under a diversity of legal forms including as for-profit businesses, nonprofit organizations, a combination of both forms, and as hybrid for-profit businesses under new legal entities like the L3C and B-Corporation. On average, they generate \$1.2 million and serve a total of 1,047, 409 beneficiaries a year.

In regards to social capabilities, the average social enterprise creates around 3 types of social capabilities. The most common types that social enterprises create pertain to education, employment training, general health, interaction with nature, and life-planning. There is a positive relationship between gross annual revenue and the diversity of social capabilities that social enterprises create. There is also a positive relationship between nonprofit social enterprises and the creation of numerous types of social capabilities, but no such relationship is found for for-profit social enterprises.

While this study reveals a good deal of information regarding the activities of social enterprises in the United States, it is an exploratory study that aims to set the foundation for future research in the field. The following section provides a discussion of the research findings and outlines contributions to future research. The next section also discusses strengths and limitations of the current study. Chapter 6 outlines a variety of questions for future research and implications for practice and policy.

Chapter 5: Discussion

The overarching goal of this study is to develop a definition for social enterprise in an effort to reduce definitional issues in the field and to set the groundwork for more empirical research on the phenomenon. Despite the increasing use of social enterprise as a more humanized form of business, previous research provides little empirical understanding of what social enterprise is and the relationship between its social, economic, and legal activities. The results of this empirical study take one step to filling this gap in knowledge.

The central question driving this study is what is social enterprise? My hypothesis that a social enterprise is a social intervention that operates under any legal form and utilizes business to advance human development is confirmed. Social interventions strive to create positive changes in society (Opt & Gring, 2008). The results of this study show that social enterprises are driven to address one or more social problems. They utilize commercial business activities to: 1) create products that are socially beneficial (e.g. organic foods) and/or 2) utilize their revenue to develop or support social activities and programs (e.g. social hiring, developing a charity). Over 50% of social enterprises sell goods or services that are socially beneficial and 47% sell products to obtain the financial resources needed to support a social activity or program. Only 15% of social enterprises report selling goods or services that are simply a financial resource for their business.

My second hypothesis has also been confirmed. There is a positive correlation between revenue generation and the creation of numerous types of social capabilities. This correlation essentially means that the more revenue social enterprises generate, the more they create social services that seek to address diverse areas of human development.

This result is particularly important given that there is no significant relationship the total beneficiaries that social enterprises serve annually and their gross annual revenue or their creation of numerous types of social capabilities. Creating numerous types of social capabilities does not mean social enterprises are serving a greater number of people. Some organizations, particularly those that have a “deep-level positive social change strategy” (Stephan et al., 2016), seek to address the diversity of issues their beneficiaries face. Such organizations create numerous social programs for a particular group of beneficiaries (as opposed to increasing the number of their beneficiaries) because doing so provides a more holistic approach to human development.

The positive relationship between revenue generation and the creation of diverse social capabilities supports theory that suggests economic value creation sustains their operation, enabling them to continuously meet their social goals (Mair & Marti, 2006). Respondents emphasize the equal importance of their dual bottom-line. Their social mission realizes their vision for positive social change and sustains their motivation to work in difficult times. However, their economic mission sustains their operation and self-sufficiency (Mair & Marti, 2006).

My third hypothesis suggests that legal form influences social enterprise revenue sources, creation of social capabilities, and types of institutional collaboration. This hypothesis was confirmed. For-profit social enterprises are more likely to generate revenue from earned-income, while nonprofits generate most of their revenue from grants. However, nonprofit social enterprises are more likely to create a greater diversity of social capabilities than for-profit social enterprises (whether hybrid or traditional). There are several plausible explanations for this relationship. First, the nonprofit social

enterprises in this study, on average, generate more revenue, have a larger number of employees, and have been established longer. The capacity of nonprofit social enterprises in the study may thus play a role in the number of social capabilities they create. Second, Stevens et al. (2015)'s found that having a strong focus on economic goals results in less of a focus on social goals. Third, Battilana et al. (2015) found social and commercial imprinting influences economic productivity and social performance in social enterprise. It may be the case that for-profit and nonprofit social enterprises have different imprinting practices.

The variety of explanations for why nonprofit social enterprises tend to create more diverse social capabilities than for-profit social enterprises, presents several avenues for future research. However, it must be noted that the variety of social capabilities a social enterprise creates is not an indicator of the *depth* of those social capabilities. Some social enterprises may create only one social capability, but may still have a substantial impact on the lives of their beneficiaries. Thus, more research is needed to foster knowledge about social impact. This research sets the foundation needed for such work in future research.

In addition, legal form influences institutional collaboration. For-profit social enterprises tend to collaborate with other businesses. When they do collaborate, it is usually for purposes of evaluation. There is no significant correlation between being a for-profit social enterprise and collaborating with other social enterprises, foundations, or government. There is also no correlation between social enterprises operating under hybrid laws and collaborations with foundations or collaborations for convening purposes. Lastly, there is a positive correlation between nonprofit social enterprises and

collaborations with other social enterprises, foundations, and nonprofit organizations. Nonprofit social enterprises tend to collaborate for funding, non-financial resources, and convening. This finding reflects the tendency for social enterprises to collaborate to meet different needs or gain resources (Mair & Marti, 2009).

Based on my findings, I propose that social enterprise is defined as a social intervention that operates under any legal form and that utilizes commercial business techniques to advance human development. Their legal form, economic value creation, and their creation of social capabilities enables them to serve as a relatively self-sufficient social intervention. Qualitative analyses reveal that social enterprises maintain a dual focus on their social and economic goals, recognizing that they are of equal importance to one another because of their need for sustainability. Regardless of legal form, social enterprises strive for self-sufficiency in that they utilize their own revenue to solely or in part create social capabilities. These findings support institutional sufficiency theory.

Introduced in this study, institutional sufficiency theory asserts that social enterprises develop in contexts where they may meet their dual goals. The contexts where social enterprises emerge must have an opportunity space for addressing social needs (Mair & Marti, 2009), but it must also allow for commercial revenue generation. As businesses, social enterprises need a market to sell their goods and services. The contexts where they operate would ideally contain the diversity of consumers this research reveals they target. Furthermore, social enterprises also desire opportunities for collaboration. Ninety-five percent of social enterprises collaborate with other institutional forms. This makes sense given that research shows social enterprises develop in contexts where there

are many commercial enterprises (Lepoutre et al., 2013) and where government support for social programs is high (Stephan et al., 2015).

These findings counter existing theories about the institutional environment where social enterprises emerge. Contrary to institutional voids theory, my findings show that social enterprises are in areas where other institutions exist and desire addressing social issues, as the most common reason social enterprises collaborate is for service delivery. Countering institutional support theory, my results do not indicate that social enterprises are partners with government. Social enterprises are more likely to collaborate with other institutional forms like nonprofit organizations, corporations, and other social enterprises. Social enterprises that do collaborate with government rarely do so for resources, as 13% of social enterprises obtain government funding and only 4% receive non-financial resources. It may, however, be that institutional voids and institutional support theories apply to different geographic contexts. The next section discusses the influence of geographic context on understanding social enterprise activities and more in the outline of research contributions below.

Research Contributions

This empirical study contributes to theoretical development on social enterprise in four key ways. First, it advances literature regarding the movement towards conscious capitalism. Literature on conscious capitalism in essence focuses on the humanization of business by utilizing it as a tool for advancing human development. Social enterprises, in particular, are deemed an organizational form that seeks to create positive social change (Stephan et al., 2016). Based on the results of this study, I argue that all social enterprises

seek to combat one or more social problems. This characteristic makes them a social intervention, distinguishing them from other institutional forms. Traditional for-profit businesses and nonprofit organizations may exist for causes that are not socially beneficial. For example, The National Football League (NFL) was a tax-exempt nonprofit organization for years (Kaplan, 2015), yet their work does not revolve around combating social issues. All social enterprises, however, are by design organizations that seek positive social change.

The definition I outline for social enterprise in this research reflects this desire to create positive social change. By outlining a definition, I respond to the need for a universal definition in the field. Much of the literature on social enterprise is comprised of conceptual articles seeking to define the term (Short, Moss, & Lumpkin, 2009). As a result, there are numerous, sometimes conflicting definitions of social enterprise (Austin et al., 2006), that often derive from individual case studies of particular social enterprises (Mair & Marti, 2009; Alvord et al., 2004). My dissertation provides a definition that stems from a (relatively) large-scale empirical study.

Furthermore, I recognize and examine the distinct features of social enterprise that make it a form of conscious capitalism. This is particularly true in regards to results on the relationship between the social and economic mission. My results indicate a positive relationship between economic value and the creation of numerous types of social capabilities. However, I found that nonprofit social enterprises tend to create diverse types of social capabilities, while no such relationship was found for for-profit social enterprises. For-profit social enterprises may not create a diversity of social capabilities because they have a stronger focus on commercial activities (Stevens et al., 2015). Future

research should explore the relationship between legal form and social capabilities further in an effort to deepen knowledge.

In addition, this study contributes to the debate about the institutional context where social enterprises emerge. It introduces institutional sufficiency theory to reflect the importance of achieving both social and economic goals in social enterprise. However, this theory is not necessarily antithetical to institutional voids and institutional support theories. There may be historical factors pertaining to how social enterprises develop in a given environment. For example, a social enterprise may develop due to institutional voids, but may only survive if an environment allows for its dual goals to be met. This may be the case for social enterprises in the United States. Social enterprise originally developed due to institutional voids created by federal budget cuts to the nonprofit sector. After practitioners realized revenue from commercial activities can be utilized to address social problems, institutional support systems began developing to facilitate social enterprise development and operation. Thus, the way social enterprises emerge in the United States today differs from their original emergence in the nation.

Furthermore, theories on institutional arrangement are generated by studies in very different geographic contexts and very different sample sizes. The current study has 115 subjects and takes place in the United States, which Kerlin (2013) suggests may have the most diverse forms of social enterprise in the world. Mair & Marti (2009)'s empirical case study on institutional voids theory focuses on one social enterprise in the developing country of Bangladesh. Lastly, Stephen et al. (2015)'s study on institutional support theory consists of thousands of social enterprises throughout the world. Future research

should explore whether these theories are context specific or if they are based on macro or micro factors.

The second contribution of this study pertains to the knowledge it advances about social enterprise legal form. Early theories about social enterprise indirectly suggest its economic and social goals are of equal importance. However, Battilana et al. (2015) finds that commercial and social imprinting affect economic productivity and social performance. Imprinting is important because of developmental differences between converted and constructed social enterprises. For example, converted social enterprises are those that originally incorporate under a traditional legal form, but later convert to a hybrid legal form. Because converted social enterprises are originally imprinted to operate under a particular legal form, their actions may still reflect their original form once the legal change has occurred. Many converted social enterprises may have shifted from their original mission (e.g. focus on solely creating economic value) to possess a dual mission (e.g. focus on fulfilling both an economic and a social mission). Changing the mission of a social enterprise may result in a tension between managing both the social and economic goals (Smith, Gonin, & Besharov, 2013).

Theoretically, constructed social enterprises may be more likely to be both socially and commercially imprinted because they are originally designed to serve dual purposes. However, imprinting may also be influenced by the education and training of social enterprise staff members. For example, staff members with an educational or work background in business may emphasize commercial revenue generation, while staff with social welfare background may prioritize social activities. Imprinting may also be

affected by the personality style of founding social entrepreneurs (Bacq & Eddleston, 2016). Research on mission drift should take these factors into consideration.

In addition, my findings reveal that legal form influences social enterprise public support and marketing. This finding may relate to my assumption that legal form is a strategic decision made by social entrepreneurs. Previous research suggests legal form is a tool that facilitates legal and administrative concerns of social enterprises. However, my findings regarding the public support and marketing social enterprises receive for incorporating as an L3C or being a for-profit organization that has B-Corp certification may be strategic decisions made by social enterprise founders/directors. These results extend to literature beyond social enterprise to include business law.

The third contribution of this study is its application of the capability approach to re-conceptualize social value. My literature review of the capability approach outlines common characteristics regarding its use in empirical research. The review also identifies purposes for using the capability approach to examine social concerns including for: human well-being assessment; core needs identification; and measurement of capability dispersion. Capability dispersion is particularly important for understanding how institutions disseminate human capabilities to beneficiaries. Some social organizations intentionally design programs to foster distinct human capabilities. Others apply the approach to measure their existing social programs. Parallel to previous research, I find that the multidimensional focus of the capability approach reveals unexpected ways that social organizations seek to address human needs.

My findings from using the capability approach contribute to research in development economics where the capability approach was developed. In addition, this

study also illustrates how the capability approach may be utilized in social enterprise research, which is the second most important contribution of this study (with the first being a definition of social enterprise). By re-conceptualizing social value in terms of the capability approach, this research encourages future research to consider the variety of affects social programs have on human development. To guide their efforts, I created the list of central social capabilities to guide activities pertaining to the social mission of a social enterprise. Like Nussbaum (2004), I believe outlining a list of basic human needs can be useful for guiding policies and programs. However, based on context, there may be other human needs that extend beyond the social capabilities on the list. The list should then be altered to capture or consider human needs in a given environment (Sen, 1992). However, researchers should keep in mind that people from disadvantaged communities can learn to cope or accept deprivations as normal or given (Nussbaum, 2000). For this reason, Nussbaum suggests using the list as a guide to ensure social programs still adequately address human needs that are universal.

This dissertation also contributes to research by developing a measurement instrument called the *Social Capability Measure* for using the capability approach to measure capability dispersion in social organizations. Though social enterprises are the focus of this research, the Social Capability Measure may be used and tailored to assess how other social organizations create social capabilities. For instance, Kato et al. (forthcoming) suggests the capability approach may be utilized to measure social value in all kinds of social programs (e.g. nonprofit organizations, non-governmental organizations). Furthermore, social entrepreneurs may utilize the Core Human Needs

Intervention model to design their social enterprises around human needs they seek to address.

Lastly, this research also contributes to knowledge about methodological techniques that are useful in social enterprise research. Using a research diary was particularly helpful for developing the literature review in this dissertation. Field observation notes consist of my observations at conferences, workshops, and while engaging in online social enterprise networks. Field observation notes were particularly useful for learning about the field from the perspective of practitioners. It was also conducive to identifying literature to read and questions to ask in my survey. For instance, while attending the New Jersey Social Enterprise kick-off event, I met social entrepreneurs whose businesses failed. Their failure mainly stems from lack of talented staff and the funds to acquire them. I subsequently reviewed literature on these challenges and used them to inform questions in my questionnaire. Lastly, reflection notes help with keeping records and writing about issues or developments, manuscripts ideas, and my goals for disseminating the research once complete. In summary, the research diary was a particularly useful for keeping my ideas and tasks organized.

Research Strengths and Limitations

There are several strengths and weaknesses of this dissertation. One strength is its relatively large population size. Most empirical research on social enterprises are individual case studies. Having 115 subjects enabled me to run statistical analyses that assess the relationship between the social and economic mission. Another strength is the use of the capability approach and creation of the Social Capability Measure. Though

several studies have suggested the capability approach be used in social enterprise research, only a practitioner study by Wongtschowski (2015) has endeavored to do so. In addition, this study was the first to create and utilize a tool for measuring opportunities social enterprises create to advance human development. Another strength is the focus on social enterprises in the United States. Despite the increasing number of social enterprises throughout the country, few studies empirically investigate their activities. My findings contribute to knowledge about their social, economic, and legal activities in an effort to inform the practice of social enterprise, particularly in the United States.

Nevertheless, there are some limitations regarding generalizability. Given recent developments regarding geographical differences in social enterprise (Kerlin, 2013), I must note that some of my results may be context-specific. There are a greater number of social enterprises in the United States than elsewhere in the world (Lepoutre et al., 2013). The United States also has the most diverse types of social enterprise and are more likely to focus on revenue generation (Kerlin, 2013). Research on social enterprises in other countries find their social enterprises are more dependent on external funding sources than those in the United States (Bacq et al., 2013; Shaw & Carter, 2007).

Another limitation of the study is the limited number of nonprofit social enterprises, which may be due to the research recruitment strategy. Social enterprises listed in online directories may have more resources than those that are not listed. This is particularly important since most of the social enterprises recruited were for-profit organizations. Nonprofit social enterprises in this study had have high revenues. However, nonprofit organizations are generally less likely than for-profit organizations to have the financial resources and technological expertise needed to create and sustain an

online presence (Waters, 2007). Future research should aim to acquire large samples of both for-profit and nonprofit social enterprise in an effort to comparatively analyze them. This would enable further analysis of the influence of legal form in social enterprise.

A similar weakness of this study is that the social enterprises recruited may only be representative of relatively successful social enterprises. Bloom & Clark (2011) suggest that weak social enterprises may not have an online presence. Future research should explore ways to recruit social enterprises without an online presence to comparatively analyze their success levels and activities.

Another limitation of this research is that it measures social capabilities, but not social functionings. This research aims to create an understanding of the kinds of social capabilities social enterprises create. In doing so, it sets a foundation for future research to explore their effectiveness on beneficiaries.

Chapter Summary

This chapter discusses the answers to the questions driving this research, wherein all the hypotheses are confirmed. It defines social enterprises as social interventions that operate under any legal form and employ commercial business activities to foster human development. Revenue generation enables social enterprises to continuously create products that are socially beneficial and/or to develop or promote social programs. In regards to legal form, a social enterprises legal form may influence its funding sources, creation of social capabilities, and its institutional collaboration.

These findings contribute to various of streams of literature including social enterprise overall, conscious capitalism, and development economics. In regards to social

enterprise, this research responds to the call for a universal definition, as well as for more empirical research on the phenomenon. There is a growing movement to increase social enterprise and to humanize business overall, yet few studies explore these topics empirically. In regards to literature on development economics, where the capability approach originates, several conceptual research articles suggest the capability approach may be useful for examining social value. The current study is the first empirical, academic research study to apply the approach in examinations of social enterprises, setting the groundwork for future research. It also introduces a measurement tool called the *Social Capability Measure* and the Central List of Social Capabilities in effort guide for research efforts on the topic.

Lastly, this chapter outlines the strengths and weaknesses of this study. One main strength is that this is the first large-scale study that seeks to define social enterprise by examining its operations. One main weakness of this research is that there are a small number of nonprofit organizations in the sample, limiting the ability to making generalizable inferences about them. Future research should explore the role of nonprofit legal form on social enterprise activities further. The next and final chapter concludes the dissertation by outlining its main takeaways, implications for policy and practice, and presents a variety of questions for future research.

VI. Conclusion

Social enterprise is in essence a form of civic engagement. It involves citizens utilizing business as a tool for advancing human development. It is a part of a growing movement towards conscious capitalism, which recognizes the damage business has and can continuously inflict on society. As a result, a growing number of business leaders are striving to make business practices more inclusive, socially conscious, and environmentally beneficial. An increasing number of consumers also aim to influence the role business plays in human development. They are watching and responding to the actions of businesses in the United States and throughout the world. The recent Twitter hashtag #DeleteUber is a perfect example. Uber, a car service company, was accused of profiting from President Donald J. Trump's executive order to ban refugees and immigrants from particular countries to the United States (Isaac, 2017; Lang & Said, 2017). In response, a large number of Uber costumers spread awareness about the issue and encouraged people to delete their Uber accounts. Consumers utilized their purchasing power to successfully get Uber to decry Trump's ban. This example is one of a growing number of ways citizens are demanding and expecting businesses to protect and advance human development.

This research speaks to business leaders and citizens that seek to utilize business as a tool for human development as opposed to a cause of social problems. The history of social enterprise outlined in this dissertation conveys that they emerged in a time when federal financial support of social programs declined substantially in the United States. Unfortunately, American society may see more of this in the near future. The Trump Administration proposes cuts to social services like medical care (Grogan & Glied, 2017), and immigration (Golash-Boza, Ya Law, & Marrow, 2017). Like in the 1970s and

1980s, social enterprises may become a strategy for offsetting the damage this may inflict on American citizens that need these programs. It is thus of paramount importance to advance knowledge about social enterprise and other tools that have the potential to advance human development. This dissertation study contributes to such knowledge.

In an effort to advance knowledge regarding the growth of social enterprise, I explore the social, economic, and legal activities of social enterprises throughout the United States. Because of the need to understand their use as a human development tool, I apply the capability approach to measure their social activities. The capability approach is a multidimensional framework for examining human development. It is the foundation of the World Bank's Human Development Index. I introduce the term social capabilities to social enterprise literature to emphasize that I view social enterprise as a medium for capability dispersion. Social capabilities are the opportunities social enterprises create to advance different aspects of human development.

This study has a mixed-method research design in that both quantitative and qualitative methods are utilized to examine the social, economic, and legal activities of social enterprises. Results convey that social enterprises are a social intervention that uses business to advance human development. Social enterprises seek to foster human development by creating or promoting products, programs, or activities that are socially beneficial. The more revenue social enterprises generate, the more types of social capabilities they create. In regards to legal form, the legal form of a social enterprise influences its funding resources, institutional collaborations, and its creation of social capabilities. Together, economic value creation, legal form, and social capabilities that

social enterprise create enable social enterprises to serve as a relatively self-sufficient social intervention that promotes human development.

In regards to their self-sufficiency, I introduce institutional sufficiency theory to social enterprise literature to explain the relationship between social enterprise and context. The theory asserts that social enterprises develop in contexts where there is a sufficient level of human need, as well as opportunities to generate revenue that they may utilize to meet those needs. Thus, social enterprises tend to develop in environments that include: 1) the presence of social problems, 2) opportunities for generating earned-income from diverse sources, and 3) opportunities to engage with a diversity of other organizations. I conclude that social enterprises operate in contexts where they are likely to meet their dual goals.

Based on these conclusions, I outline several implications and suggestions for research, practice, and policy below. Each set of implications or questions provides a brief description of the evidence or reasons behind them.

Practical Implications. Practitioners that may find this research valuable include, but is not limited to, social entrepreneurs, social enterprise accelerators and incubators, and impact investors/seed funders, foundations. In an effort to aid their work, I outline some general conclusions for practice below.

The Core Human Needs Intervention Model. The purpose of the Core Human Needs Intervention Model is to guide existing and aspiring social entrepreneurs in their efforts to address specific human needs. The model outlines micro (e.g. capacity building) and macro (e.g. systemic change) positive social change techniques that social

entrepreneurs may implement. Social entrepreneurs may reference the model to identify activities that relate to the different types of human needs they aim to address.

Social enterprises should measure the total beneficiaries they serve annually.

Having a strong understanding of the number of people social enterprises serve each year is essential to understanding their influence on American society. Results reveal that the social enterprise sector serves over 1 million beneficiaries a year. However, only 44% of survey respondents report information about the total beneficiaries they serve. This may be due to a lack of social performance measurement, but it limits understanding about the sector's reach.

Social enterprises and researchers should work together to develop social impact measurement tools that are appropriate for the variety of ways social enterprises seek to foster social capabilities. This is particularly important for social enterprises whose social mission mainly focuses on contributing to charities as opposed to directly working with its beneficiaries (e.g. Newman's Own donates all profits to charity). These social enterprises may have difficulty tracking the number of people they serve each year and understanding the impact of their efforts on the lives of their beneficiaries.

Patient capital is needed for growth. Like all types of organizations, social enterprises take time to grow. The majority of respondents in this study feel their social enterprises are successful or somewhat successful despite the fact that over $\frac{1}{4}$ of have operated at a loss within the last year. The organizations operating at a loss are, on average, younger than organizations that broke even or made a profit, reflecting that they need time to become more sustainable. Organizations that finance/fund social enterprises

should keep their need for patient capital in mind when developing the terms of grants, loans, or impact investments.

The operational context of a social enterprise should be strategically chosen. In regards to social entrepreneurs, this research recommends they strategically tailor the design of their social enterprise to their operational context. Based on institutional sufficiency theory, social entrepreneurs should ensure their legal form is appropriate for acquiring resources available in their context and that social needs in that context are significant. Their institutional context should also possess opportunities for diverse institutional networks in an effort to engage in productive collaborations and to develop a diverse consumer base. Social enterprise accelerators may also find this information valuable for training social entrepreneurs.

B-Corp certification may help with marketing and networking. Regardless of legal form, social entrepreneurs should consider obtaining B-Corp certification. Results indicate that B-Corp certification aids with branding and developing consumer trust. It also helps to legitimize the social activities of for-profit social enterprises that may otherwise come into question by skeptical consumers. Lastly, B-Corp certification may also be useful for developing a network of other social entrepreneurs that may lead to collaborations.

Social enterprise is not a replacement for other social welfare programs. Social enterprise is a strategy for advancing human development. However, this study highlights that social enterprises aim to alleviate some social issues more than others. This may be because its structural form is more appropriate for treating those issues. It is essential to recognize that social enterprises are not a substitute for replacing government, traditional

nonprofit organizations or even foundations. Government, nonprofit organizations, and foundations still have a role to play in addressing issues that cannot or are not addressed by social enterprises.

Policy Implications. In regards to public policy and law, policymakers and legislators aiming to advance social enterprise should strive to create an environment where they may develop and grow. This means creating legislation that enables them to acquire resources that facilitate their operation in particular environments. Context plays a major role on the legal form of a given social enterprise. Being that social enterprises need to fulfill their dual goals, it may be appropriate to tailor policies and legislation to contextual opportunities. Specific recommendations for public policy and law are provided below:

Government should create a system for tracking social enterprises. Recent research has shown that entrepreneurial start-up rates throughout the country steadily decline from 2010-2015 (Fairlie, 2015). However, because establishment of social enterprise is not systematically tracked in the United States, no knowledge exists about whether their rates are increasing or declining. This is a reason to support the Bipartisan SEED Commission Act. The act seeks to create a federal commission that identifies, supports, and evaluates social enterprises throughout the country. It was first introduced to and rejected by Congress as the SEED Commission Act in 2013. The bill was reintroduced under its new title in September 2016, but once again was not passed. Nevertheless, a system for tracking the development of social enterprises in the United States would foster knowledge about the frequency of their operation.

Universalize hybrid legal forms. There are currently four types of social enterprise legal forms that are available at the state-level: L3C, B-Corporation; SPC; and Benefit LLC. At least one type of these legal forms exists in thirty-six states today. This research finds that legal form advances public support for social enterprise by enabling consumers to understand the organization's commitment to social and/or environmental well-being. Social entrepreneurs should have the option to incorporate under any of these legal forms. This is particularly important because they have different rules on how their profits are utilized. For instance, L3Cs can utilize a maximum of 6% of their profits for the benefit of their investors. B-Corporations, on the other hand, have no limits on the amount of profits distributed to their investors.

Depending on the social entrepreneur(s), some organizations may want the limitations of the L3C in an effort to protect from mission drift over time. There have been cases of social enterprise leadership transitions that have resulted in mission drift (e.g. Ben & Jerry's Ice Cream). Furthermore, the Social Enterprise Law Tracker (2017) indicates that there are currently 14 states without any legal form that specifically designed for having a hybrid structure. These states are mainly located in the Midwest and South where my results show that 29% and 20% of social enterprises operate respectively. Because social enterprises conduct business in these areas, they should be afforded benefits that arise from having a hybrid legal form. Universalizing hybrid legal forms would provide more opportunities for social entrepreneur(s) to take the steps they deem appropriate for their particular business.

Create an external accountability system for hybrid legal forms. There should be an external entity that tracks the social activities of social enterprises in an effort to prevent mission drift. Hybrid laws currently only enable directors or shareholders to regulate such activities. However, an independent tracking system for social activities could aid in preventing mission drift, especially because social enterprises that are highly focused on their economic goals tend to be less focused on their social goals (Stevens et al., 2015).

Support social enterprise networks. Federal, state, and local government offices that work with businesses should provide new and existing entrepreneurs with resources about institutions that support social enterprise. Many social entrepreneurs may not be aware of local, regional, or national resources relevant to their work. Developing a brochure or website, for example, that outlines supportive organizations for social enterprises may enable them to connect with practitioners that may advance their work. This is particularly important because 95% of social enterprises engage in institutional collaborations.

Research Implications. As one of a few relatively large sample empirical studies on social enterprises, this study presents a multitude of opportunities for future research. Provided below are some questions that may guide future efforts. They are outlined by their main research area.

Institutional Arrangement. This research makes a substantial contribution to literature regarding the institutional arrangement where social enterprises emerge. The questions below highlight some questions this research inspires.

1. Connection between all the theories
 - What is the relationship between institutional theories and Kerlin (2013)'s Marco-Institutional Framework for social enterprise models?
 - Is there a developmental connection between different institutional theories regarding social enterprise? Specifically, do social enterprises tend to emerge in one manner and then develop into another manner?
2. Institutional Sufficiency Theory
 - Is institutional sufficiency theory unique to the United States context?
3. Institutional Voids Theory
 - Is institutional voids theory applicable in developed countries?
 - Is institutional voids theory applicable at the city-level or state-level?
4. Institutional Support Theory
 - What kinds of support do social enterprises that receive government support receive at the local, state, and federal level?
 - What is the relationship between government support type (e.g. resources, promotion) and social enterprise activities?

Using the Capability Approach in Social Enterprise Research. This article proposes that scholars employ the capability approach to conceptualize and measure social impact. In an effort to guide and stimulate such scholarship, possible questions for future research in various areas of social enterprise are provided below.

1. Human Development
 - Is social enterprise an effective tool for advancing human development?
 - What human capabilities and functionings do social enterprises address across institutions, countries, and regions?
 - Do social enterprises advance some human capabilities and functionings more than others?
 - What impact can core needs identification in a particular community have on capability dispersion?
 - How can the capability approach be used with global measures of social enterprise (e.g. Global Entrepreneurship Monitor)?
2. Institutional Arrangement
 - How do macro-institutional factors influence the impact social enterprises have on human development?
 - Does the dual structure of social enterprises make it more appropriate for capability dispersion than other institutional forms?
 - How do institutional voids differ across country categories (e.g. developing and developed countries)?
 - What is the impact of social enterprise capability dispersion on institutional voids?

3. Strategies for Social Value Creation
 - Do deep-level or surface-level positive social change strategies advance more human capabilities?
 - What influence do deep-level and surface-level strategies have on capabilities and functionings?
 - What techniques are used to advance different capabilities?
 - How are capabilities dispersed throughout the social value chain?
4. Market
 - How do market forces affect social impact in terms of capability dispersion?
 - What is the relationship between earned income and capabilities?
 - What influence does socioeconomic context have on capability dispersion?
 - How can the capability approach, for purposes of core needs identification, be used to assess opportunity spaces for social enterprise?
5. Government and Legislation
 - How does government support influence capability dispersion?
 - Does social enterprise legal form influence capability dispersion?
6. Social Enterprises in Practice
 - How can social enterprises use core needs identification to address community-level needs?
 - How can the capability approach be used with existing social impact measurement tools (e.g. SROI, SAA)?
 - How can social enterprises design their organizations to disperse specific capabilities?
 - How does social imprinting influence the types of capabilities advanced through social enterprise?
7. Beneficiaries
 - How does legal form influence the impact of social enterprise on their beneficiaries?
 - What capabilities are transferred through beneficiary social capital?

Appendix A

The Central Human Capabilities (Nussbaum, 2004)

1. **Life.** Being able to live to the end of a human life of normal length; not dying prematurely, or before one's life is so reduced as to be not worth living.
2. **Bodily Health.** Being able to have good health, including reproductive health; to be adequately nourished; to have adequate shelter.
3. **Bodily Integrity.** Being able to move freely from place to place; to be secure against violent assault, including sexual assault and domestic violence; having opportunities for sexual satisfaction and for choice in matters of reproduction.
4. **Senses, Imagination, and Thought.** Being able to use the senses, to imagine, think, and reason – and to do these things in a “truly human” way, a way informed and cultivated by an adequate education, including, but by no means limited to, literacy and basic mathematical and scientific training. Being able to use imagination and thought in connection with experiencing and producing works and events of one's own choice, religious, literary, musical, and so forth. Being able to use one's mind in ways protected by guarantees of freedom of expression with respect to both political and artistic speech, and freedom of religious exercise. Being able to have pleasurable experiences and to avoid non-beneficial pain.
5. **Emotions.** Being able to have attachments to things and people outside ourselves; to love those who love and care for us, to grieve at their absence; in general, to love, to grieve, to experience longing, gratitude, and justified anger. Not having one's emotional development blighted by fear and anxiety. (Supporting this capability means supporting forms of human association that can be shown to be crucial in their development.)

6. **Practical Reason.** Being able to form a conception of the good and to engage in critical reflection about the planning of one's life. (This entails protection for the liberty of conscience and religious observance.)

7. **Affiliation.** A. Being able to live with and toward others, to recognize and show concern for other human beings, to engage in various forms of social interaction; to be able to imagine the situation of another. (Protecting this capability means protecting institutions that constitute and nourish such forms of affiliation, and also protecting the freedom of assembly and political speech.) B. Having the social bases of self-respect and non-humiliation; being able to be treated as a dignified being whose worth is equal to that of others. This entails provisions of nondiscrimination on the basis of race, sex, sexual orientation, ethnicity, caste, religion, and national origin.

8. **Other Species.** Being able to live with concern for and in relation to animals, plants, and the world of nature.

9. **Play.** Being able to laugh, to play, and to enjoy recreational activities.

10. **Control Over One's Environment.**

A. Political. Being able to participate effectively in political choices that govern one's life; having the right of political participation, protections of free speech and association.

B. Material. Being able to hold property (both land and movable goods), and having property rights on an equal basis with others; having the right to seek employment on an equal basis with others; having the freedom from unwarranted search and seizure. In work, being able to work as a human being, exercising practical reason, and entering into meaningful relationships of mutual recognition with other workers.

Appendix B

Table 1: Social, Economic, and Legal Activity Indicators

	Indicators
Economic Mission	Original_Investment
	Original_FundSources
	Government_FinBenefits
	Revenue
	Profit
	Revenue_Sources
	50perc_RevSource
	Salesperc_Rev
	GoodsandServices1
	GoodsandServices1_Mission
	GoodsandServices1_TargetConsumers
	GoodsandServices2
	GoodsandServices2_Mission
	GoodsandServices2_TargetConsumers
	GoodsandServices3
	GoodsandServices3_Mission
	GoodsandServices3_TargetConsumers
Social Mission	Issue/Industry_Area
	PositiveSocialChangeTechnique
	Services
	Target Beneficiaries
Legal form	Original_LS
	Current_LS
	B-Corp Certification
	Creator

Appendix C

List of Central Social Capabilities

There are 13 central social capabilities. The list below outlines each based on the theme regarding four core areas of human need that they align with.

Health and Human Security

Social capabilities aim to develop or improve the mental and physical health, life expectancy, and security of human beings.

1. **Health.** Providing opportunities that benefit health (including reproductive), nourishment, and life expectancy.
2. **Mental/Emotional Health.** Offering opportunities that foster mental health and that advance an individual's ability to connect with other's outside themselves on an emotional level.
3. **Safety or Abuse.** Providing opportunities that enable individuals to protect themselves from violent assault or cope after directly or indirectly surviving violent assault.

Social Mobility

Social capabilities related to social mobility aim to advance the socioeconomic status of individuals, social groups, or communities. They involve developing the skills and abilities that enable people to increase their human capital, wealth, and life goals.

4. **Education.** Providing services or products that advance educational development. This includes opportunities that foster critical thinking, imagination, and reasoning.
5. **Life-Planning/Decision-Making.** Providing opportunities that enable individuals to make plans towards their life goals, as well as to critically reflect on them.
6. **Property Ownership.** Providing opportunities that help people obtain and own property including houses, cars, and other material goods.

7. **Employment Training.** Providing opportunities that enable people to prepare and/or obtain employment. This is especially important for those that have difficulty obtaining employment due to lack of skills or systemic discrimination.

Social, Political, and Environmental Engagement

Social capabilities related to social, political, and environmental engagement involve creating opportunities for people to actively participate in society and the social systems that influence their social, political, and environmental well-being.

8. **Social Issues and Inclusion.** Providing opportunities that enable people to organize around social issues and/or providing spaces of inclusion.
9. **Discrimination Issues.** Providing opportunities that enable individuals to deal with issues related to discrimination and/or to mobilize against such issues.
10. **Interaction with Nature.** Providing opportunities that foster human interaction with things of nature such as plants, animals, and the overall environment.
11. **Political Participation.** Providing opportunities that help people to engage in their political system, informing them of their rights, and/or striving to protecting their rights

Self-Expression and Social Relationships

These social capabilities focus on fostering human creativity, recreation, and their relationships with other human beings.

12. **Independent/Creative Expression.** Providing opportunities that enable people to express themselves in a diversity of ways including through art, religion, and politics.
13. **Recreation or Entertainment.** Providing opportunities that foster social interaction and participation in recreational activities that make them laugh or play.

Appendix D

Email Messages to Participants for Survey Data Collection

Email Message to Pilot Study Incentive Group Participants

“Greetings,

This invitation is being sent to social enterprises throughout the United States.

Rutgers University invites you to participate in a research study being conducted by Rasheda L. Weaver, a PhD candidate in the Department of Public Policy and Administration at Rutgers University-Camden. The purpose of this research is to explore the operations, legal form, and social activities of social enterprises. Your participation in this research study would aid in the advancement of knowledge regarding social enterprises as a growing institutional form throughout the nation. If you choose to participate, a \$25 online Amazon gift certificate will be emailed to you within 1-3 business days after you complete the survey.

If you would like to participate please:

Follow this link to the Survey:

Link: _____

Or copy and paste the URL below into your internet browser:

[URL:](#) _____

Follow the link to opt out of future emails:

Opt out: _____

Sincerely,

Rasheda L. Weaver
PhD Candidate in Public Affairs
Rutgers University-Camden”

Thank You Message to Pilot Incentive Group and Full Study Participants

“Dear participant,

Thank you for completing this survey. The code for your \$25 Amazon gift card is _____. Visit www.amazon.com/redeemgift to redeem your Amazon.com Gift Card. Enter the Claim Code and click Apply to Your Account to receive the \$25 credit.

Sincerely,

Rasheda L. Weaver
Principal Investigator”

Email Message to Pilot Study Non-Incentive Group Participants

“Greetings,

This invitation is being sent to social enterprises throughout the United States.

Rutgers University invites you to participate in a research study being conducted by Rasheda L. Weaver, a PhD candidate in the Department of Public Policy and Administration at Rutgers University-Camden. The purpose of this research is to explore the operations, legal form, and social activities of social enterprises. Your participation in this research study would aid in the advancement of knowledge regarding social enterprises as a growing institutional form throughout the nation.

If you would like to participate please:

Follow this link to the Survey:

Link: _____

Or copy and paste the URL below into your internet browser:

URL: _____

Follow the link to opt out of future emails:

Opt out: _____

Sincerely,

Rasheda L. Weaver
PhD Candidate in Public Affairs
Rutgers University-Camden”

Appendix E

CONSENT FORM **FOR CONFIDENTIAL DATA COLLECTION** **(non-incentive group in pilot study)**

You are invited to participate in a research study being conducted by Rasheda L. Weaver, a doctoral candidate in the Department of Public Policy and Administration at Rutgers University. The purpose of this research is to explore how social enterprises aim to alleviate social problems. It should be completed by a social enterprise director or manager that has knowledge of the operations and social mission of the organization. This research study consists of one questionnaire that has four sections.

This research is confidential. Confidential means that the research records will include some information about you and this information will be stored in such a manner that some linkage between your identity and the response in the research exists. The main information collected about you is your email address.

The research team and the Institutional Review Board at Rutgers University are the only parties that will be allowed to see the information. If a report of this study is published, or the results are presented at a professional conference, only group results will be stated. All study data will be kept for 5 years.

Participation in this study is voluntary. Your participation in this online study serves as your consent. You may choose not to participate, and you may withdraw at any time during the study procedures without any penalty to you. In addition, you may choose not to answer any questions with which you are not comfortable.

If you have any questions about the study or study procedures, you may contact me via email at Rasheda. Weaver@rutgers.edu or via phone at (646) 708-5785.

Sincerely,

Rasheda L. Weaver
Principal Investigator
Doctoral Candidate in Public Affairs
Rutgers University-Camden
401 Cooper Street, 2nd Floor
Camden, NJ 08102

CONSENT FORM
FOR CONFIDENTIAL DATA COLLECTION
(incentive group in pilot study)

You are invited to participate in a research study being conducted by Rasheda L. Weaver, a doctoral candidate in the Department of Public Policy and Administration at Rutgers University. The purpose of this research is to explore how social enterprises aim to alleviate social problems. It should be completed by a social enterprise director or manager that has knowledge of the operations and social mission of the organization. This research study consists of one questionnaire that has four sections.

This research is confidential. Confidential means that the research records will include some information about you and this information will be stored in such a manner that some linkage between your identity and the response in the research exists. The main information collected about you is your email address.

The research team and the Institutional Review Board at Rutgers University are the only parties that will be allowed to see the information. If a report of this study is published, or the results are presented at a professional conference, only group results will be stated. All study data will be kept for five years.

Participation in this study is voluntary. Your participation in this online study serves as your consent. You may choose not to participate, and you may withdraw at any time during the study procedures without any penalty to you. In addition, you may choose not to answer any questions with which you are not comfortable.

At the conclusion of the study, you will receive a \$25 online Amazon gift card as a thank you for your time and participation. The gift card will be sent to the email address you provide to receive the card within 1-3 business days after the survey is completed.

If you have any questions about the study or study procedures, you may contact me via email at Rasheda. Weaver@rutgers.edu or via phone at (646) 708-5785.

Sincerely,

Rasheda L. Weaver
Principal Investigator
Doctoral Candidate in Public Affairs
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Appendix F

Social Enterprise Model Questionnaire

Instructions: This questionnaire consists of 40 questions in three different sections. Please answer them based on your social enterprise.

Operations

1. What year was your social enterprise established?

2. When your social enterprise was first established, was it incorporated as a: (Select all that apply)
 - a. Sole proprietorship
 - b. Limited liability corporation/company
 - c. Corporation
 - d. S Corporation
 - e. Partnership
 - f. Cooperative
 - g. Nonprofit organization
 - h. Low-profit Limited Liability Company
 - i. Benefit Corporation
 - j. Benefit Limited Liability Company
 - k. Flexible Purpose Corporation
 - l. Social Purpose Corporation
 - m. Other
 - n. Don't know

3. What is the current legal form your social enterprise operates under (select all that apply)?
 1. The same
 2. Sole proprietorship
 3. Limited liability corporation/company
 4. Corporation
 5. S Corporation
 6. Partnership
 7. Cooperative
 8. Nonprofit organization
 9. Both Nonprofit and For-profit
 10. Low-profit Limited Liability Company
 11. Benefit Corporation
 12. Benefit Limited Liability Company
 13. Flexible Purpose Corporation
 14. Social Purpose Corporation
 15. Other
 16. Don't know

4. Who established the social enterprise?
 - a. An individual
 - b. A group of individuals
 - c. A group of inhabitants in a neighborhood
 - d. A private business
 - e. A governmental agency
 - f. A nonprofit organization
 - g. A foundation
 - h. A cooperative
 - i. A social movement
 - j. A government office/organization
 - k. Other: _____
 - l. Don't know
5. What state were you first incorporated in? (Drop-down List)
6. What was the initial round of investment for starting this enterprise (either from your own sources or other sources)?
7. What were the sources of funding used to start your social enterprise? (check all that apply)
 - a. Personal savings or other assets
 - b. Personal credit card or loan
 - c. Business credit card or loan
 - d. Government business loan
 - e. Government grant
 - f. Grants
 - g. Investment from a business
 - h. Investment from family or friends
 - i. Investment from venture capitalists /impact investors
 - j. Other:
 - k. Don't know
8. Please select all the states that your social enterprise currently operates in: (Drop-down List)
9. Does your social enterprise financially benefit from any of the following?
 - a. Tax exemption
 - b. Tax deduction
 - c. Exemption from social security/payroll contributions
 - d. None
 - e. Other:

10. Does your social enterprise have B-Corp Certification?
- a. Yes
 - b. No
 - c. Do not know
11. In the past year, what was the gross revenue for your social enterprise?
- _____
12. In the past year, did your social enterprise operate at a profit, break even, or operate at a loss?
- a. At a profit
 - b. Break even
 - c. At a loss
 - d. Other:
 - e. Don't know
13. Please identify your social enterprise's revenue sources? (Select all that apply)
- a. Sales
 - b. Crowdfunding
 - c. Individual donations
 - d. Grants
 - e. Membership fees
 - f. Shareholder investments
 - g. Program-related or impact investments
 - h. Other: _____
 - i. Do not know
14. What source has provided at least 50% of your revenue over the last year?
- a. Sales
 - b. Crowdfunding
 - c. Individual donations
 - d. Grants
 - e. Membership fees
 - f. Shareholder investments
 - g. Program-related or impact investments
 - h. Other: _____
 - i. Do not know
15. Over the last year, approximately what percentage of your revenue was derived from sales? _____

16. Please indicate whether you have worked, collaborated, or engaged in any activities with any of the institutional bodies listed below. Then, please identify the nature of the work, collaboration, or activity.

	In the past year, did you work, collaborate, or engage in any activities with...?		What was the nature of your work, collaboration, or activity?						
	Yes	No	Funding	Convening	Service Delivery/ Implementation	Monitoring/ Evaluation	Nonfinancial resources	Other	Don't Know
Government									
Foundation									
Commercial Businesses									
Other Social Enterprises									
Nonprofit Organizations									

17. In the last year, have you had the following types of workers? (Select all that apply)

- a. Paid full-time employees
 - i. How many?
- b. Paid part-time employees
 - i. How many?
- c. Other: _____

18. In the past year, what employee benefits were paid totally or partly by your business for full-time employees? (Select all that apply)

- a. Health insurance
- b. Contributions to retirement plans
- c. Profit sharing and/or stock options
- d. Paid holidays, vacation, and/or sick leave
- e. Tuition assistance and/or reimbursement
- f. None of the above
- g. Other:
- h. Don't know

19. In the past year, what employee benefits were paid totally or partly by your business for part-time employees? (Select all that apply)

- a. Health insurance
- b. Contributions to retirement plans
- c. Profit sharing and/or stock options

- d. Paid holidays, vacation, and/or sick leave
- e. Tuition assistance and/or reimbursement
- f. None of the above
- g. Other:
- h. Don't know

20. In the past year, how frequently were volunteers involved with your business?
- a. Rarely (25% of the time)
 - b. Often (50% of the time)
 - c. Very Often (75% of the time)
 - d. Always (100% of the time)
 - e. Other:
 - f. Don't know

Reflections on Operating a Social Enterprise

21. What is the main challenge your social enterprise faces?
- a. Revenue generation
 - b. Staff size or skills
 - c. Marketing/Spreading awareness about your work
 - d. Growth
 - e. Other
 - f. Don't know
22. Do you consider your social enterprise successful?
- a. Yes
 - b. Somewhat successful
 - c. No
 - d. Other
23. If you consider your social enterprise successful, what factors have contributed to your success? _____
24. What are some lessons you have learned from operating a social enterprise?

Social Mission

25. What issue area best describes the primary work of your social enterprise?

- a. Agriculture
- b. Arts/Culture/Humanities
- c. Community and economic development
- d. Education
- e. Energy
- f. Environment
- g. Health and Wellness
- h. Housing
- i. Workforce development
- j. International development
- k. Poverty/Social Justice
- l. Racial/ethnic inequality
- m. Gender inequality
- n. Other: _____
- o. Do not know

26. Considering your mission, what is the main social problem your social enterprise aims to address?

27. Please provide information about services your social enterprise offers related to the social concerns listed below. Then provide information about the types(s) of service and its target beneficiaries.

	Your social enterprise offer services related to:		Please describe type of service and target beneficiaries.		
	Yes	No	Services Offered	Target Beneficiaries	Total Beneficiaries Served Annually
Health					
Mental/Emotional Health					
Safety or Abuse					
Education					
Independent/Creative Expression (e.g. art projects, event hosting)					
Life-Planning or Decision-Making					
Social Issues					
Discrimination Issues (e.g. racial, religious, gender)					
Interaction with animals, plants, or nature					
Recreational or Entertainment					
Property Ownership (e.g. house, car)					
Employment Training					
Political Participation					
Other (please specify): _____					

28. Does your social enterprise intentionally employ any of the following types of people?

- a. Formerly incarcerated
- b. Homeless
- c. People with disabilities
- d. Undocumented immigrants
- e. Other, please specify: _____
- f. Do not know

For the next few questions, please discuss the top three main goods or services (e.g. food, clothing, consulting services, etc.) that are sold by your social enterprise and their relation to your mission.

29. Good or Service #1: Please briefly describe one of the main good or services sold by your social enterprise _____
30. Good or Service #1: How does providing this good or service relate to the mission of your social enterprise?
 - a. Providing this good or service is central to the social enterprise's mission.
 - b. Providing this good or service provides financial resources to support the mission of the social enterprise.
 - c. Providing this good or service both provides financial resources and relates to the mission of the social enterprise.
31. Good or Service #1: Who are the target consumers of good or services? (Select all that apply)
 - a. The general public
 - b. People living a particular place/community
 - c. Government
 - d. Private businesses
 - e. Nonprofit organizations
 - f. Other
 - g. Don't know
32. Good or Service #2: Please briefly describe one of the main good or services sold by your social enterprise _____
33. Good or Service #2: How is the production of this good or service related to the social enterprise's mission?
 - a. Providing this good or service is central to the social enterprise's mission.
 - b. Providing this good or service provides financial resources to support the mission of the social enterprise.
 - c. Providing this good or service both provides financial resources and relates to the mission of the social enterprise.
34. Good or Service #2: Who are the target consumers of good or services? (Select all that apply)
 - a. The general public
 - b. People living a particular place/community
 - c. Government
 - d. Private businesses
 - e. Nonprofit organizations
 - f. Other
 - g. Don't know

35. Good or Service #3: Please briefly describe one of the main good or services sold by your social enterprise _____
36. Good or Service #3: How is the production of this good or service related to the social enterprise's mission?
- a. Providing this good or service is central to the social enterprise's mission.
 - b. Providing this good or service provides financial resources to support the mission of the social enterprise.
 - c. Providing this good or service both provides financial resources and relates to the mission of the social enterprise.
37. Good or Service #3: Who are the target consumers of good or services? (Select all that apply)
- a. The general public
 - b. People living a particular place/community
 - c. Government
 - d. Private businesses
 - e. Nonprofit organizations
 - f. Other
 - g. Don't know

Demographic Questions

38. What is your race?
- a. Black/African American
 - b. White/Caucasian
 - c. Asian
 - d. Hispanic/Latino
 - e. Other
 - f. Don't Know
39. What is your gender?
- g. Male
 - h. Female
 - i. Other
 - j. Don't Know
40. What is your age?
41. What is your position in the company?
- a. Managing Director/ Owner/ Chairman
 - b. Sales/Marketing Manager
 - c. Business Manager
 - d. Other: _____

42. What is the email address where you would like your \$25 online Amazon gift card to be sent? (Incentive group only)
43. Approximately how long did it take you to complete this survey? (pilot study groups)

Thank you for participating in this research study.

If you would like to participate in a follow-up interview, please provide your name, organization, business address, phone number, and email address in the space provided below.

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<https://www.womensbeanproject.com/our-impact/our-program/program-components/>.
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CURRICULUM VITAE

EDUCATION

PhD in Public Affairs, Rutgers University, expected in May 2017

Dissertation: *Social enterprise and the capability approach: Examining the quest to humanize business*

Advisor: Dr. Lorraine Minnite, PhD

Defense Date: April 17, 2017

Master of Science in Public Affairs, Rutgers University, received October 2015

Master of Arts in Applied Psychology (Valedictorian), New York University Steinhardt School of Education, Culture, and Human Development, received May 2013

Bachelor of Arts in Psychology (magna cum laude and with honors), Lehman College of the City University New York, received June 2011

EXPERIENCE

Instructor

Course Developer and Instructor, Department of Public Policy and Administration, Rutgers University (Spring 2017)

Designed and taught the undergraduate course “Social Entrepreneurship, Civic Engagement, and Community Development.” The course aims to advance knowledge about social entrepreneurship as a community development strategy. Engaged civic learning, a pedagogical technique that emphasizes community engagement and experiential learning, is used to foster conceptual and practical learning. Conceptual learning methods include academic readings, case studies, and videos. Community engagement methods include a community-based research project and field visits.

Curriculum Development

Member, Civic Engagement and Social Change Certificate Committee, Office of Civic Engagement, Rutgers University (Spring 2016-Present)

Assisting in the design of the “Civic Engagement and Social Change” certificate program for undergraduate students aiming to develop civic skills and cultural competence. The certificate consists of taking several civic-minded courses, engaging in 100 hours of service activities, developing an e-portfolio, and completing a capstone project that requires students to work on local community development efforts. The certificate will be offered in Fall 2017.

Research Assistant, School of Business, Rutgers University (08/2014- 01/2016)

Conducted an extensive literature review of empirical applications of the capability approach. Developed a social value measurement guide for assessing impact of nonprofit organizations and social businesses.

Graduate Assistant, Department of Public Policy and Administration, Rutgers University (08/2013 – Present)

Transcribing interviews and writing manuscripts for a study that examines policy experimentation pertaining to education, public safety, and corporations in Camden, New Jersey. Writing about related topics on the Rutgers University Local Knowledge Blog. Coordinated campus-wide events that sought to connect with the local community.

Principal Investigator, Entrepreneurial Development Training Program, Latin American Economic Development Association (08/2014-07/2015)

Assessed evaluation readiness of an entrepreneurial training program that prepares low-moderate income entrepreneurs for self-employment. Developed the Entrepreneurial Development Training Program Evaluation Kit, which outlines objectives, methods, and recommendations for conducting future evaluations of the program.

Survey Developer and Analyst, Survey of Utilization and Attitudes Towards Cooper River Park West (CRPW), Friends of CRPW and Rutgers University (01/2014 -08/2014)

Conducted a study on local perspectives of CRPW, a park at the center of an open space injustice debate after being closed for over a decade. Results were used to transfer ownership of CRPW from the Delaware River Port Authority to Camden County Municipal Utilities Authority, as well as to develop the Camden County's Cooper River Gateway West Vision Plan.

Civic Engagement Graduate Fellow/ Teaching Assistant, Rutgers University Office of Civic Engagement (08/2013 – 06/2016)

Lectured, graded assignments, and worked with faculty to design engaged civic learning syllabi for graduate and undergraduate courses. Coordinated civic engagement activities between students and community organizations.

Courses:

- Urban Sociology, College of Arts and Sciences (Spring 2016)
- Social Stratification, College of Arts and Sciences (Spring 2016)
- Urban Education with Civic Engagement, College of Arts and Sciences (Fall 2015)
- Business Organizations, School of Business, (Fall 2014)
- Camden, Philadelphia, and the Region, College of Arts and Sciences (Spring 2014)
- Social Welfare Policies and Services I, School of Social Work (Fall 2013)

Project Manager, Communication in Marriage Study, New York University (11/2011- 12/2015)

Managed a mixed-methods study that explored the relationship between lying and different personality types in marital relationships. Developed a psychological measure for assessing communication patterns.

Development Intern, Food for Xavier Project, Xavier Mission and New York University, (01/2013-05/2013)

Successfully obtained a \$50,000 grant to pay for a steamer needed to make healthier food for a soup kitchen serving 1,000-1,300 homeless and impoverished people weekly.

Research Assistant, Infection Control Practices in Nursing Homes Study, New York University College of Nursing (09/2011 – 08/2012)

Developed and analyzed the paper and pencil *Nursing Home Infection Control Survey* that was used to examine infection control and prevention procedures in nursing homes throughout the United States. Prepared research proposals for submission to funding agencies.

Research Assistant, Executive Function and Parenting Study, Lehman College of the City University of New York (01/2010 –07/2011)

Worked on a study regarding executive function in parent-child relationships using computerized executive function tasks and questionnaires on parenting styles, intelligence, behavior, and attitudes.

PUBLICATIONS

Peer-Reviewed Journal Articles

Weaver, R. L. (2016). Social enterprise self-employment programs: A two-dimensional human capital investment strategy. **Social Enterprise Journal**, 12 (1).

Manuscripts Under Review

Kato, S., Weaver, R. L., Ashley, S. (Revised and Resubmitted). Measuring social value: Operationalization of the capabilities approach. Submitted August 2016, **VOLUNTAS: International Journal of Voluntary and Nonprofit Organizations**.

Weaver, R. L. (Revised and Resubmitted). Measuring social impact: Using the capability approach in social enterprise research. Submitted March 2016, **Social Indicators Research**.

Weaver, R. L. Danley, S. & Otero-Vera, I. Learning from failure: Barriers to using experiential education in graduate nonprofit research training. Submitted April 2017. **Journal of Nonprofit Education and Leadership**.

Manuscripts in Preparation

Weaver, R. L. & Kerlin, J. Social Enterprise in the united states: A contemporary overview. Expected submission August 2017. **International Comparative for Social Enterprise Models Project**.

Weaver, R.L. What is social enterprise? Empirically examining the quest to humanize business. Expected submission June 2017. **Entrepreneurship Theory and Practice**.

Weaver, R.L. Social capabilities: Exploring how social enterprises seek to address human needs. Expected submission November 2017. **Nonprofit and Voluntary Sector Quarterly**.

Policy Briefs

Weaver, R.L. (2015). How to help profit-making social enterprises combat pressing social problems. **Scholars Strategy Network**. Access policy brief [here](#).

Weaver, R.L. (forthcoming). Investing in the poor through social enterprise self-employment programs. **Scholars Strategy Network**.