

The Hybrid Model: Bringing Innovation and Sustainability to Social Entrepreneurship

A triple bottom line approach

by

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Abstract

As the economy continues to struggle, and solutions at either side of the spectrum appears to have their respective challenges, attention are now being directed towards the promise of The Hybrid Model. This study examines through an action research approach the pros and cons of The Hybrid Model in comparison with other organizational structures, with focus on accessibility to resources, longevity, innovation capabilities and benefits to the society. Data collection is conducted through Nevara, an Urban Farming Platform, a Social Venture focused on healthy food by offering services to Farmers and Farmers' Markets.

Traditionally, innovation has been thought of a something that relates to new technology, but as accessibility to information and competition intensifies - so is also the need to innovate throughout the whole organization. Focus on sustainable solutions has also gained importance, and is important to keep in mind when building organizational culture and a brand which both can thrive in the short-term and long-term life stages of the organization. Hybrids, in particular those structured as a non-profit with earned income, might gain competitive advantages through the ability of attracting talent willing to work for a lower salary due to alignment with the mission. As it is increasingly difficult to secure traditional funding as a for-profit startup, founders whom are passionate about a particular cause might learn that doing a Hybrid Model better fit their growth opportunities, in particular those who have plans for leveraging crowdfunding. This study covers in detail Social Entrepreneurship and The Hybrid Model, and how the triple bottom line approach can improve impact on social and environmental causes.

1. Introduction

The term Social Entrepreneurship was first coined by Bill Drayton in the early 1980s, as he in 1981 founded Ashoka - the global association of the world's leading Social Entrepreneurs, which currently has fellows in 70 countries. Ashoka finds and fosters Social Entrepreneurs by providing them with living stipends, professional support, and access to a global network of peers to address the world's most urgent social problems with system-changing solutions. Although the term has been around for more than 30 years, there is still much confusion as to how Social Entrepreneurship is a distinct, yet a related form of traditional Entrepreneurship.

One may take the example of Facebook. Given that Mark Zuckerberg, CEO of Facebook, who once attended Harvard studying Psychology and Computer Science, has helped define Social Media as we know it and thus the advancement of Social Networking as we know it. However, would this mean that Zuckerberg qualifies as a Social Entrepreneur?

That might be debated, given that he still has majority voting power. But on the other hand, as a publicly traded company, Facebook has a fiduciary duty to maximize shareholder values - where minority shareholders have rights and legal protection. If Zuckerberg is happy with his double-digit billion dollars net worth, he might actually be more passionate about "Connecting People" - striking a balance with making profits at the expense of advertisers, to provide an ever-enriching experience for their users. Regardless, the term Social Entrepreneurship is here to stay. Now you can even do a Master in Social Entrepreneurship at the global university: Hult International Business School.

This study utilizes action research to further explore a new term: The Hybrid Model, through a project called Nevara, an Urban Farming Platform. Nevara is a Social Venture, utilizing both a top-down and a bottom-up approach in its growth, implementing much on the findings in this study for building an actual organization.

1.1 Purpose of the Study

Traditionally, you had two choices as an entrepreneur when addressing a market opportunity. You could either create a for-profit, or a non-profit. Roughly speaking, a for-profit would be focused on generating profits, while a non-profit would be more mission driven, focusing on social and environmental causes.

Social Entrepreneurship focuses on the triple bottom line, which includes Profit, People and Planet. Our current economy suffers from many legacy problems, with laws and regulation which have potential for improvement in terms of better aligning incentives with what is beneficial for our society as a whole.

Social entrepreneurship can best be described as possessing characteristics of both commercial ventures and nonprofit organizations: “a process involving the innovative use and combination of resources to pursue opportunities to catalyze social change and/or address social needs” (Mair and Martí, 2006: 37 in Miller, Wesley and Curtis, 2010). We shall review the concept more in-depth in the literature review.

A myriad of new legal entities have recently been created to address the gap between for-profits and non-profits, enabling entrepreneurs to for instance incorporate as a Low-profit Limited Liability Company (L3C) or a Benefit Corporation. These new forms of incorporation give entrepreneurs legal protection that their company will maintain a more holistic approach to distributing wealth generation to include both social and environmental concerns, as the fiduciary duty is defined broader than just maximizing shareholder value. In our struggling world economy, many entrepreneurs are driven with a sense of purpose to make a difference and contribute to a positive impact. At least to be a part of the solution, instead of being a part of the problem. Miller et al. (2010: 707) states that, “social entrepreneurs identify opportunities to address an under served social market or to provide services in a different and/or more efficient manner to affect a community in a positive way.”

While these new legal entities look good on paper, they might cause more harm than good. Operationally, no tax benefits are derived from choosing a typical triple bottom line incorporation form – resulting in competitive disadvantages. In terms of attracting

volunteers, these social enterprise incorporations also have weaker brand recognition due to just recently being legally recognized as an organizational structure. And there are also challenges in attracting institutional investors, since they have a hard time understanding how their investment will yield maximum return.

Hence, there is a lot of noise in this emerging field of social entrepreneurship requiring a cautious approach and patience to ensure the right decisions are made throughout the growth process. One of the challenges with non-profits is that they have a hard time scaling beyond a certain size, due to an inefficient funding process - on top of the limited categories that a non-profit must fit within to be eligible for tax exemption. Getting started is fairly easy though, as one just needs a noble cause in the local community and then to rally people to give their support. For-profits eventually converge towards profit maximizing entities that have to pursue ever bigger markets in ever more competitive markets, a process which forces them to cut on employee benefits and sacrifice customer satisfactions for sake of keeping up with ongoing price wars.

One might say that maximizing profits give a long-term competitive disadvantage, while a non-profit has a long-term advantage in attaining an ever-stronger brand, better operational skills and a deeper understanding of the real issue at hand.

For-profit organizations are often plagued by concerns of social impact and social responsibility as going contrary to their profit motive, causing managers to downplay such initiatives with concerns of maintaining their position. There is, however, growing evidence that social responsibility actually has a positive (Waddock and Graves, 1997: 303-19) or at least neutral effect (McWilliams and Siegal, 2000: 603-9) on profitability.

Corporate Social Responsibility (CSR) emerged as a response to the need for companies to maintain their goodwill status among the public and consumers, as there was a greater awareness surrounding the marketing value of differentiating oneself from the competition. Furthermore, it was a needed response in expectation of regulatory changes. Even Porter came back into the spotlight when he saw the need for Creating Shared Value (CSV). CSV diminish the traditional differences

between for-profits and non-profits further as we discover the value and efficiency in collaborating on a local and global level.

Creating Shared Value is a business concept first introduced in Harvard Business Review article: "Strategy & Society: The Link between Competitive Advantage and Corporate Social Responsibility" (Porter and Kramer, 2006). The concept was further expanded in the January 2011 article titled: "Creating Shared Value: Redefining Capitalism and the Role of the Corporation in Society" (Porter and Kramer, 2011).

Creating Shared Value is founded on the central premise that there is a mutual dependency between the competitiveness of a company and the health of its surrounding communities. It's argued that recognizing and capitalizing on the relationship between societal and economic progress has the power to unleash the next wave of global growth - redefining capitalism in the process (*ibid.*).

The business concept of Creating Share Value touches upon a core assumption behind the research idea of doing an in-depth study of Hybrid Models, which goes in the direction that our current economical structure is inefficient and suffers from a number of legacy challenges. It is my hypothesis that capitalism in its purest form peaked when Ivan Boesky May 18th, 1986 at Haas School of Business, University of California, Berkeley, infamously said: "Greed is all right, by the way. I want you to know that. I think greed is healthy. You can be greedy and still feel good about yourself." As capitalism is highly adoptive, it has evolved much since then - making it harder to realize it has played its course as the dominant system. In particular since no viable alternatives have emerged to gain much recognition in the media.

While for-profits and non-profits both have their pros and cons, they are in their purest form no better than what we already have seen throughout history. Communism in its idealistic form of treating everyone equally eventually collapsed, and as we move from a growth economy to a stagnant economy, the dark side of capitalism is becoming apparent.

Pure profit-maximizing for-profits have a short-term competitive advantage in the ability to attract massive amounts of funding, to engage in rapid global expansion for

capturing the first mover advantage. This comes at the expense of diluting control of the founders to the investors, which at the end of the day only care about profitability and market expansion. Profitability concerns will reduce R&D expenditures to a minimum, affecting the long-term competitive disadvantage, as your best employees are prone to move on under budget constraints. This could be the start of a viscous cycle as ability to innovate suffers, and internal activities are more marked by cutting costs, restructuring and improving internal efficiency.

Traditional non-profits often get donations for the cause that they are serving, with little or no willingness-among donors to support overhead costs - which is considered unnecessary administrative costs. Innovation requires a lot of experimentation and the explorations of many solutions before finding a good formula. In the entrepreneurial space, we call this finding a solid product/market fit - which then is ready to take on massive amounts of funding. This limiting factor is directly linked with the ability for non-profits to innovate (Hult and Lio, 2006), as explained in this quote:

Large sections of the non-profit sector revolve around the meeting of basic needs such as food, shelter, clothing or education. This discourages product innovation due to the basic level of the services provided (feeding the poor remains much the same process it was a millennium ago). In addition, much of the non- profit sector is strongly bound by tradition; such organizations are often prevented from innovation adoption by core policies and organizational laws. These obstacles inhibit or prevent innovation in such based organizations, and may make even process innovation a challenge.

(Hult and Lio, 2006: 62)

Non-profits and for-profits can both operate on cash flows and revenue streams, but non-profits do not intend to maximize stakeholder economic value. Contribution to society is instead emphasized, such as promotion of care for the elderly or financial illiteracy (Murphy and Coombes, 2009: 2).

Hybrids are on the other hand structured more heavily around sustainability and innovation, which is particularly true now, as earned income allow for more long-term investments in how operations are structured, and considerations towards making allocations to the creation of an innovative organizational culture. This study builds upon the definition of Hybrids as explained by Dees and Anderson (2003):

A step beyond the interaction of independent non-profit and for-profit organizations is the intermingling of organizational structures that occurs in "hybrid organizations." Hybrid organizations, as we are using the term, are formal organizations, networks or umbrella groups that have both for-profit and non-profit components. For-profit organizations may create non-profit affiliates, and nonprofits sometimes establish for-profit subsidiaries or affiliates.

(Dees and Anderson, 2003: 18)

If executed properly, a non-profit with earned income is not only able to charge a premium in markets for its social and environmental mission, but will also be able to expand rapidly through the engagement of more innovative funding solutions, like securities-based crowdfunding, which allow for low-interest debt based funding at favorable terms. There are even consulting firms like Cutting Edge Capital, which take care of all the legal concerns pertaining to crowdfunding, and give some clarity regarding the limitations of how most accumulated funds has to go directly towards the mission of the organization. And obviously, a non-profit with their many tax benefits, will be able to operate more efficiently selling "Girl Scouts Cookies" with all the profits being reinvested into fostering their mission. Sustainability is then achieved, as no profit-maximizing motives will deteriorate the quality of service and quality of products.

1.2 Research Objectives

“The American Dream” has for decades drawn millions of people to the US, in search for a better life - in hopes of realizing their true potential. Many end up not quite attaining the dream, and rather do their best to ensure that their children are given these opportunities - extending the dream to the second generation. Being able to rise the ranks is called social mobility, and can be considered the ultimate form of happiness - as there is a great sense of satisfaction in attaining success against all odds.

TIME magazine published in 2012 a cover story stating that the American Dream had moved to Denmark, with Norway coming in 2nd. While a hard working family would until recently save up enough funds to put their children through college, fulfilling a part of the equation - while encouraging their kids to attain good grades in school, which in combination would allow them to get into some of the best colleges.

The fundamental structural flaws in how America organizes their economy is becoming more apparent as real economic growth has turned stagnant, with a serious threat of decline. Unless people get united behind innovative ways of reversing the current trend - that is, communities being depleted of capital and talent - one risks the end result of critical mass being lost. This may trigger a downward spiral of decline within the neighborhood - typical symptoms being rise in health and social problems (Wilkinson and Pickett, 2009). See figure below on how this relates to income inequality:

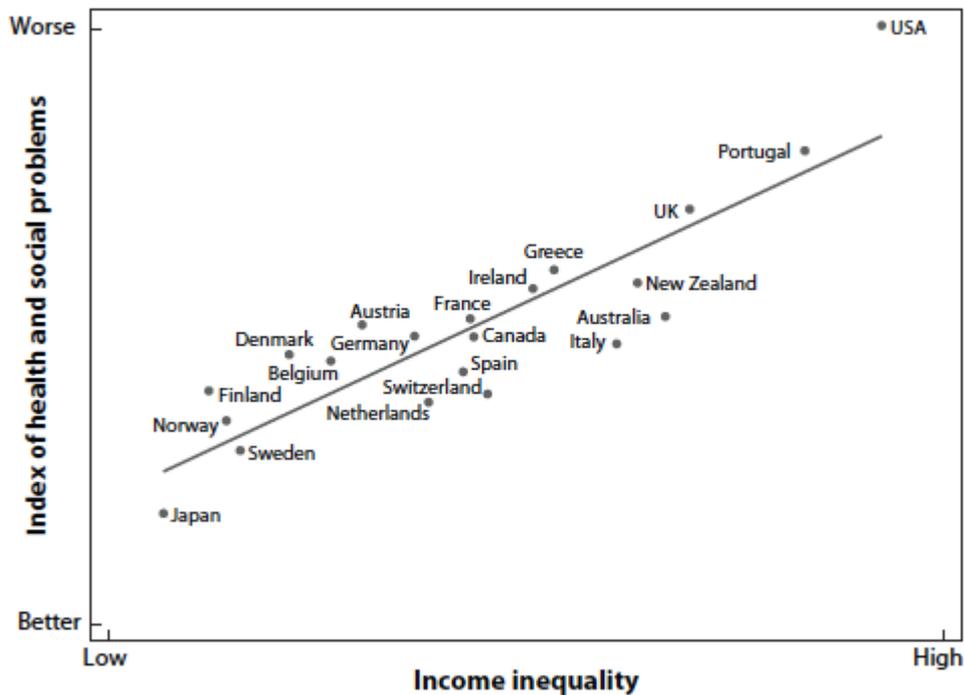


Figure 1: Index of Health and Social Problems in relation to income inequality in rich countries (Wilkinson and Pickett, 2009).

One third of all groceries are bought at Walmart, contributing to the combined wealth of the Walmart family to equal the bottom 40% of the US. America has been built on core values of free speech and free markets, which is much supported by the rich and hopeful residents. Upon realization of how this organizational structure fails to remain sustainable, and how the growth of greater inequality creates fear of a forthcoming collapse. Dalai Lama (2013) also points out this discrepancy:

Nowadays, we are confronted by a huge gap between rich and poor. This is not only morally wrong, but practically a mistake. It leads to the rich living in anxiety and the poor living in frustration, which has the potential to lead to more violence. We have to work to reduce this gap. It's truly unfair that some people should have so much while others go hungry.

(Lama, 2013)

The time has come for both the rich and the poor to get united towards a more sustainable model, as neither group benefits from riots and civil disobedience at a large scale.

Hybrids which encapsulate the promise of the triple bottom line, have the potential of fostering a new wave of innovation through the emerge of social entrepreneurship as a preferred model for growth and cross-border collaboration. Social Entrepreneurs “play the role of change agents in the social sector by . . . engaging in a process of continuous innovation, adaptation, and learning” (Dees, 1998: 4 in Miller et al., 2010). In the following section, we will tie this innovative concept of hybrids with the detailing of the Nevara Urban Farming Platform.

Nevara - The Urban Farming Platform

As an entrepreneurial research project, Nevara is best described through its Mission, Goal and Objective - as defined in the Executive Summary:

Our **Mission** is to Alleviate Poverty and promote Healthy Living through Urban Farming.

Our **Goal** is to retain as much capital as possible in local communities, to make organic produce more accessible and affordable. We seek to consult farmers on best practices for Organic Farming, assist in Marketing and Fundraising efforts, facilitate green technology adoption and encourage new practices like Vertical Farming and AquaPonics.

Our initial **Objective** is to provide fundraising consulting, helping out farmers building their brand, produce videos and photos, websites, flyers and targeted marketing - with a particular focus on building an online presence in addition to their traditional offline fundraising.

(www.Exec.Nevara.org)

Incidentally, Alice Waters, author of Edible Schoolyard (2008) - lives in the same city as Nevara is headquartered. Waters is a chef, and a true pioneer in bringing healthy food back to our schools. She founded The Edible Schoolyard Project in 2005, a program that involves students in all aspects of growing, cooking, and sharing food at the table - introducing a garden and healthy food to all schools in Berkeley, California.

She is also a founder of Chez Panisse Restaurant and Café, having championed local, organic farms for over four decades.

Nevara's Mission aligns much with the goals outlined in the report to the President: "Solving the problem of Childhood Obesity within a generation" (Barnes, 2010), as outlined by Whitehouse Task Force on Childhood Obesity. Let's Move! is a comprehensive initiative, launched by the First Lady Michelle Obama, dedicated to solving the problem of obesity within a generation so that kids born today will grow up healthier and able to pursue their dreams. Task Force on Childhood Obesity was established by President Barack Obama to develop and implement an inter-agency plan that details a coordinated strategy, identifies key benchmarks, and outlining an action plan. The goal of the action plan is to reduce the childhood obesity rate to just five percent by 2030 – the same rate before childhood obesity first began to rise in the late 1970s. In total, the report presents a series of 70 specific recommendations, many of which can be implemented right away.

Some of these recommendations include Improving access to healthy, affordable food, by eliminating "food deserts" in urban and rural America; lowering the relative prices of healthier foods; developing or reformulating food products to be healthier; and reducing the incidence of hunger, which has been linked to obesity.

The childhood obesity epidemic in America is a national health crisis. One in every three children (31.7%) ages 2-19 is overweight or obese. Life-threatening consequences of this epidemic create a compelling and critical call for action that cannot be ignored. Obesity is estimated to cause 112,000 deaths per year in the United States, and one third of all children born in the year 2000 are expected to develop diabetes during their lifetime. The current generation may even be on track to have a shorter lifespan than their parents.

(Barnes, 2010: 3)

These numbers make it clear that obesity among the US is a wide-reaching, national and structural problem. For those observing the US from the outside, it is difficult to see why this problem has extended to the critical scale of today. It is coming to a

crucial time for something to be done, as shown by the bleak statistical predictions and the efforts of the First Lady to place it on the agenda. Barnes offers a suggestion to why obesity developments have spiraled to the current state:

Access to supermarkets, grocery stores, and specialty markets is important, in part, because they give consumers access to a variety of fruits and vegetables. Diets rich in fruits and vegetables offer a number of health benefits and have been linked to a lower prevalence of obesity or reduced weight gain. Most Americans, especially those with low income, consume far fewer fruits and vegetables than recommended by current dietary guidance, and a lack of easy accessibility may be one reason. A number of studies suggest that better retail access corresponds with healthier eating. *Residents with more access to supermarkets or a greater abundance of healthy foods in neighborhood food stores consume more fresh produce and other healthful items.* Without nearby access to healthy ingredients, families have a harder time meeting recommended dietary guidelines.

(Barnes, 2010: 50, added emphasis)

Here it shows that it may simply be an issue of access, and those who lack access to a wide range of fruit and vegetables are also of the poorer strata in the US, making it even harder for them budget-wise to prioritize healthy living. Barnes points out that it might seem paradoxical “since food insecurity results from inadequate resources to purchase enough food and obesity is a consequence of consuming too much” (2010: 69). However, he continues by stating that there is a correlation, in that low-cost food is that which is energy-dense and low in nutrients, leading to weight gain. He also notes that “[f]ood insecurity may also lead to various psychological and behavioral changes, such as a preoccupation with food, stress, depression, and physical limitations in adults—all of which can lead to an increased risk for obesity” (Barnes 2010: 61). What can be done about this seemingly structural problem?

USDA’s Economic Research Service has estimated that to establish a sufficient supply of fruits and vegetables for all Americans to meet the Dietary Guidelines, US producers would have to more than double their fruit acreage

(from 3.5 million acres today, to 7.6 million) and increase vegetable acreage by nearly one and a half times (from 6.5 million acres today, to 15.3 million).

In addition, some research on the link between obesity and farm programs finds that our farm programs have had small and mixed effects on farm commodity prices, resulting in smaller effects on relative retail prices.

(Barnes, 2010: 56)

As we go in-depth on the issue at hand, it becomes apparent that there is validity to the claim that the unhealthy living may be very much due to lack of access, as these numbers show only half of what is needed in terms of desired demand for fruit and vegetables is being produced by agriculture at this moment in time. The document sets the goal to, “[by] 2020, increase the availability of fruits and vegetables in the American food supply by 70%, or 450 pounds per person per year” (Barnes 2010: 59) and here it explains why:

A recent USDA analysis suggested that to bring American diets into alignment with recommendations in the 2005 Dietary Guidelines, consumption of fruit would have to increase by 132%, and consumption of vegetables would have to increase by 31% . The increased supply of fruit and vegetables needed to support these consumption changes would total 1,096 pounds per person—an increase of 453 pounds, or over 70%.

(Barnes, 2010: 59)

Nevara not only will align efforts for making healthy food more accessible and affordable, but also address the psychosocial factors influencing health related behavior. Behavioral factors for obesity range across many economic and social factors, not only caused by over-consumption of low cost energy dense foods and lack of physical activity (Pickett et al., 2005). In the continuation, a discussion will be presented on how the issue might be more complex than monetary means and access to healthy foods.

Inequality

Public policies directed towards promotion of greater equality and reducing the burden of low social status may make an important contribution to reducing and preventing obesity. The effectiveness of policies designed to promote good nutrition and physical activity might be influenced by relative deprivation, so that policies focused on a more equal society should improve the impact of policies designed to improve nutrition education and healthy food choice, tackle food labeling and marketing, school meals, transport policies, and opportunities for exercise (Pickett et al., 2005).

Pickett and Wilkinson have shown in their studies that physical health is better, levels of trust higher and violence lower in societies where income is more equally distributed (2010). Other health and social problems, including mental illness, are also more common in more unequal societies. These relationships indicate that humans are sensitive to social relations, and the impact that income inequality has on the scale of social hierarchy and status competition in a society (*ibid.*). Greater inequality increases status competition and status insecurity. Income inequality is strongly related to low levels of trust, to weaker community life and to increased violence, both internationally and among the 50 states of the USA (*ibid.*).

As well as trust, social capital, violence, mental illness and drug misuse, income inequality is also linked to physical morbidity and mortality, to low social mobility and poor educational achievement, to bullying in schools, and rates of imprisonment, teenage births and the status of women in society. As inequality grows, so do the social distances and distinctions between us, and so does the potential for the pain of low social status, stigma and shame.

(Pickett and Wilkinson, 2010: 427)

In addition to morbidity and mortality, Wilkinson and Pickett (2007) brought together evidence suggesting that inequality was also associated with rates of obesity, teenage birth, mental illness, homicide, low levels of trust, low social capital, hostility, racism, poor educational performance among schoolchildren, imprisonment, drug overdose mortality, and low social mobility. Since then, the

list of social problems associated with inequality has lengthened to include women's status, juvenile homicides, child conflict, children overweight, and drug abuse.

(Wilkinson and Pickett, 2009: 494)

Moving forward, we will see a shift from distributing wealth to greater focus on reducing income differences - for maintaining standards of health and social well-being in developed societies (Wilkinson and Pickett, 2009). While Pickett and Wilkinson (2010) recommends constraining runaway salaries and the bonus culture for reducing income differences, Nevara will focus more on the other recommendations they make. Like raising incomes of the poorest, and support all forms of institutional democracy – like cooperatives, mutual societies, employee-owned companies, etc. (*ibid.*).

Community Wellness

Sustainability in Communities is crucial for residents to experience a sense of wellness, which has been well described by Rogers and Ryan in the article “The Triple Bottom Line for Sustainable Community Development” (2001):

Sustainability needs to address other fundamental issues, such as equity, human rights, structural oppression or disadvantage and empowerment (Ife, 1999). Our Common Future (World Commission on Environment and Development, 1987) articulates the interdependencies that exist between quality of life, environmental quality, social well-being and economic prosperity. Agenda 21 (United Nations, 1993), the subsequent blueprint for sustainable development, calls for local action to achieve global objectives through broadly based community participation in sustainable development decision making. Sustainable development can only occur with a massive move away from individualism, with a renewed emphasis on community and a shared responsibility for our well-being and our environment (Schumacher, 1973; Daly, 1977; Wackernagel and Rees, 1998; Ife, 1999).

A sustainable community:

- utilizes nature's ability to provide for human needs, without undermining its ability to function over time;
- ensures the well-being of its members, offering and encouraging tolerance, creativity, participation and safety;
- empowers people with shared responsibility, equal opportunity and access to expertise and knowledge, with the capacity to affect decisions which affect them;
- consists of businesses, industries and institutions which collaborate as well as compete, are environmentally sound, financially viable and socially responsible, investing in the local community in a variety of ways.

(Rogers and Ryan, 2001: 282)

Development through local self-reliance has been extensively examined by Max-Neef (1991), having created a framework to re-evaluate human needs, and hence well-being. He says that there are nine basic, universal, human needs that require satisfaction if a healthy community is to be achieved. These are:

Sustenance; Protection; Affection; Idleness; Creativity; Freedom; Understanding; Participation; and Identity.

Nevara seeks to encourage sustainable communities, characterized by collaboration and appreciation for the time and involvement of even the most marginalized and disadvantaged groups in a neighborhood. Nevara will achieve this through creation of a time bank solution, a volunteer network where you earn time credits for each hour of volunteering. These time credits will grow the social capital of participants and can also be redeemed for services from other volunteers when needed. Time bank participants feel that they get access to help they otherwise would have to do without. Time banks have the potential to become powerful tools for overcoming social exclusion and enabling community self-help (Seyfang, 2003; Seyfang, 2004; Seyfang, 2006).

In St. Louis (MO), USA, time dollars (credits) can also be spent on essential goods, food or visits to the doctor, to supplement low incomes. Credits can be redeemed by

purchasing services from other participants, saved for the future, or donated to others (Seyfang, 2004). Nevara will conduct similar experiments, like offering a basic health insurance to volunteers who over a prolonged period of time earn a certain amount of credits on a monthly basis. Initially though, Nevara will enable volunteers to redeem credits for healthy nutritional food at Farmer's Markets.

Through the combination of multiple initiatives, Nevara expect to have an impact in having members of communities feel more socially included and appreciated, which in turn should have a measurable improvement on these health and social problems as outlined by Wilkinson and Pickett (2009):

Rates of obesity, teenage birth, mental illness, homicide, low levels of trust, low social capital, hostility, racism, poor educational performance among schoolchildren, imprisonment, drug overdose mortality, low social mobility, women's status, juvenile homicides, child conflict, children overweight, and drug abuse.

1.3 Structure of the proposal

The proposal is organized as follows: Second chapter describes insight attributed to The Hybrid Model in the Social Entrepreneurship field for tackling social and environmental challenges. Next, literature on social finance and social entrepreneurship is presented as an initial ontological foundation ~~starting point~~ for analyzing The Hybrid Model. The fourth chapter describes the methodology for analyzing how The Hybrid Model compares with other organizational structures, with emphasis on funding sources, tax questions, accountability and organizational culture. Data sources that go into this study are then presented in chapter 5, before finally discussing contributions to new knowledge in chapter 6.

2. Hybrids: Point of Departure

Both in capitalism and socialism, there is the notion of profit-making as being reserved to the private sector, while the government has the responsibility of ensuring social rights and sustainable use of environmental resources.

Individual freedom is a core argument in capitalism, assuming that the individual is better suited than the government in making choices. It is assumed that free market forces create the most efficient systems, founded on competition rather than collaboration.

Socialism typically includes education and health care as part of the public welfare, under the ideology of equal rights, regardless of prior financial buying power. Socialism might therefore be considered more democratic, as all citizens of its nation are accounted for, not just those from wealthy families. And ironically, citizens in a socialistic state have more individual freedom, being free from the concerns of worrying how many children they can afford to send to college and the need for waiting four years between each kid is born.

Encouraging private consumption is at the core of a functional capitalistic system, which depends upon job security and economic stability, since health insurance is typically linked to having a job. Savings go up during economic uncertainty, as citizens are forced to save for both rising tuition fees and rising health care costs in preparation for the possibility of unemployment (Stanford, 2008). Even with health insurance given through employers, citizens have to be prepared to pay a deductible of typically 20% of the incurred costs.

The capitalistic structure creates a bigger divide between private profit interest and the public interest of the government with regards to the people and the planet, compared with the aligned interests of a government that pays for education, health care and the regulation of environmental resources. Aligned interests contribute to a more efficient system, with a greater concern for all externalities that go into the total cost.

As a Norwegian citizen I am well versed in the understanding of the inherent functions in a socialistic society, with all its pros and cons. With this solid foundation of knowledge I have chosen to investigate four research questions related to Hybrid Models and the triple bottom line approach.

Initially, the assumption was that even though an organizational structure focused on the triple bottom line may generate less profit, it could still be more efficient compared with the current division of profit-maximizing corporations and a regulating government. But as globalization emerges and markets get more efficient with new market conditions, the future consumer will act both as investor *and* press (Benedikter, 2011; Crainer, 2012: 19). The ancient premise of exploiting workers and consumers in the name of profit is on the verge of collapse, giving growth to the hypothesis that social ventures have the potential for being more profitable than their profit-maximizing counterparts. In particular social ventures structured as non-profits with earned income—enjoy lower taxes and help from volunteers, giving them a competitive advantage in the long run. Here, profits are reinvested to fuel growth as opposed to being drained from the organization as dividends.

2.1 Resource Accessibility

Barriers for launching a business these days are so low, that most funding just goes to cover living costs, typically obtained through the sale of equity. Often considered expensive funding, as satisfactory return on risky capital can only be provided through additional funding or a trade sale. Equity funding puts the startup on an irreversible trajectory leading to the inevitable scenario of institutional investors gaining control, as opposed to the free money accessible to Social Ventures in the form of donations which makes bootstrapping and organic growth possible. The research project Startup Genome recently found that premature scaling before having found a solid product/market fit to be the number one reason why startups fail (Marmer et al., 2011), which means that too much capital can have an adverse side-effect. Which gives rise to my first research question:

1. As barriers to market entry keeps going down, requiring less personnel and less capital to launch a business, do Hybrids have a resource

accessibility advantage when compared with other organizational structures?

Securing funding for a startup is increasingly getting harder, at the same time as it takes longer time to build a prototype with enough functionality and market potential to excite investors. The longer it takes to recruit co-founders, the harder it is reach an agreement both parties can agree on and feel good about. On the other hand, well-funded for-profit startups often find their biggest challenge in recruiting talented co-workers. Non-profits typically enjoy lower barriers to growing the organization, employing a mix of employees working a pay level lower than that of a comparable for-profit position and volunteers filling unpaid internship positions (Roomkin and Weisbrod, 1999; Mirvis and Hackett, 1983). Non-profit works are less motivated by monetary incentives and are more driven by the societal change they take part in through their organizational contribution, along with the *recognition and social capital* this bring them (Mirvis et al., 1991; Mirvis and Hackett, 1983).

With the great number of services currently available to startups, converting fixed costs to variable costs, the biggest challenge to entrepreneurial success lies in growing the organization and building a solid organizational culture (Sharir and Lerner, 2006). Accessibility to volunteers and ease of collaborating with other non-profit organizations give therefore Hybrids a solid accessibility advantage to readily viable resources.

2.2 Longevity for People and Planet

Social Ventures have advantages reminiscent of typical profit maximizing corporations - a happy employee is a productive employee, thus there is a greater sense of community as the whole team unites towards the same mission. This mission can be either social, environmental or both. Non-profits employees are more intrinsically motivated, passionate about the organizational mission, while for-profit employees find it harder and harder to be excited about their company's profit-maximizing mission - as many of them don't even have equity or stock options, and those that do often see a decline in value. The whole equation for choosing a for-profit versus a non-profit gets further shaken up when you see your friends and co-

workers gets laid off due to challenging economic times, and the job security you thought you once had seems to be fading. This difference can be explained by for-profits following more the volatility of markets, where-as non-profits tend to be significantly more risk-averse due to factors as having a more complex structure of responsibilities (Hult and Lio, 2006: 59).

For-profits, motivated by profit-maximizing incentives, has experienced decades of economic growth - as previously governmental controlled industries like Telecom has been deregulated worldwide. This is in parallel with economic activities across borders that experience tremendous growth, as regulation on international trade limitation has been eliminated. This economic race within global trade was not fueled by the difference between growth or no growth, but rather if your return on investment would be 10% or 30% annually - giving grounds to tremendous compounding interests, and a massive influx of capital given its liquid nature.

It is well-known in the world of startups that policy changes give rise to entrepreneurial opportunities, and obviously new technologies like the internet give grounds for massive productivity growth. Yet, there are still constraints we at some point need to come to terms with - and there will regardless only remain 24 hours in one day. Much point in the direction of real economic growth globally have been replaced with inflationary growth, motivated by fear of systematic collapse and use of Keynesian arguments to bail out corporations taking on excessive risk - with tax payers' money.

Numerous examples in the for-profit sector points in the direction of real economic growth having been replaced by inflated expectation of future growth. Competition is so fierce now in our inter-connected global society, that despite continued efforts in becoming more efficient - even for well-established global corporations - many find themselves operating with losses year after year. That's when the logic starts to get complicated in the world of finance. Theory says that these companies should go bankrupt, and give room for more efficiently run entrants. But these corporations rather engage in advanced financial engineering, doing emissions for securing fresh capital - structured so that existing shareholders gets diluted if they do not participate. Many multinational corporations are simply too big to fail, in possessions of factories, real estate, distribution networks and contracts that are worth billions of dollars -

compared with the cost of replicating the same from scratch, while at the same time forced to file for bankruptcy upon insolvency. Since each emission or issuance of corporate bonds are a fraction of their market capitalization, existing investors find more value in keeping the ship afloat - when the alternative is to see billions of dollars lost. Economic activity can therefore be characterized by hopes of competitors going bankrupt, or at least consolidations for less pressure on price competition.

The recent Facebook Initial Public Offering (IPO) points in the direction of capitalism having peaked, as the whole move to going public came about as a requirement from SEC and employees with stock options. Having already peaked in user growth and active members, with a recent emphasis on monetizing their user-base, Facebook timed perfectly their IPO after 8 years in operation with the goal of inflating market capitalization. For two reasons: To maximize return for institutional investors with an inflated market capitalization, and for behavioral financial reasons establish as high share price as possible. Psychologically, the latter reason has two advantages: The false illusion that Facebook appears cheap as the share price keeps falling, and to retain talented employees who are less likely to cash out once their lock-up period expires if the share price is lower than at time of the IPO.

When capitalism is kept alive through inflationary means, whoever understand these ingenious methods for legally executing elaborate scams will continue to grow their profits, giving them resources to corrupt the entire system both nationally and globally.

Capitalism is like an infectious disease, an epidemic, spreading at an exponential rate - accumulating all available resources, with no regards to longevity - only focused on profit potential, with short-term profit preferred over an equally sized long-term profit. Capitalism will initially pretend to be friends with its host, until it grow powerful enough to kill everything it comes in contact with. Capitalism is much like a cancer, which is sucking dry all the human and environmental potential which is there, until there is no more. All for the sake of maximizing profits.

Our current perception of capitalism is more correctly defined as corporatism or cronyism. Capitalism in the US has for more than a century been replaced with

welfare state and corporatism, as explained in “The Great Deformation: The Corruption of Capitalism in America” by Stockman (2013). The book “Liberalism and Cronyism: Two Rival Political and Economic Systems” (2013) gives a good overview of the various political and economic systems, making the claim that on each extreme we have Liberalism and Cronyism. Baumol et al. elaborates on how capitalism relates to growth and prosperity in the book “Good Capitalism, Bad Capitalism, and the Economics of Growth and Prosperity” (2009). Which gives rise to my second research question:

2. How do Hybrids compare to other organizational structures, with regard to employee and customer satisfaction, in assessing longevity and benefits to their surrounding community?

2.3 Local Innovation Capabilities

Traditional non-profits that are engaged in environmental questions, typically take an outside position to monetary economy, focusing on educational or regulatory aspects of preserving the local environment. Social Ventures that apply a more hybrid business model approach have the potential for either engaging in direct competition with other for-profit companies exercising questionable environmental practices, or to stimulate better practices by offering higher-level services to those who comply with a certain standard.

Whenever possible, the alignment of social and economic value creation through business approaches provides the most sustainable kind of solution (Dees and Anderson, 2003). The social sector have the potential for improved capacity and greater access to resources through higher engagement in boundary-blurring activities. The social sector experience an increase of capital availability when permitting for access by for-profits, allowing for faster growth, increased flexibility and overall capacity of the sector (*ibid.*). Likewise, non-profits, with the use of hybrid models, will improve financial strength when allowing for earned income and other business methods to provide more diverse and sustainable revenue streams (*ibid.*). The development of an appropriate earned income can free up and even create new

capacity, both through financial and human resources, for direct delivery on the mission (*ibid.*).

3. Which organizational form has the highest impact potential, with regards to the continued efforts of staying innovative in the local community towards social and environmental causes?

2.4 Societal Benefit

The logic and foundation behind the triple bottom line can be linked to brain research and wellness, which is in stark contrast with the profit maximizing, single bottom line motives of for-profits. Social Ventures which successfully embrace what we've come to learn from research, have therefore the potential for maximizing their beneficial contributions to both the society as a whole and people who get involved - and as such create a thriving organizational culture. Prof. Marian Diamond (85) presented at the Conference for the American Society on Aging and the National Council on the Aging a paper titled "Successful Aging of the Healthy Brain" (2001) – in which she outlines 5 factors to Healthy Living:

1. Number one, and in my mind the most important, is DIET. What we feed this brain is a significant factor in its well-being.
2. Two, is daily EXERCISE, and that applies to the brain as well as the body. Exercising the total body serves to maintain a healthy brain.
3. Three, we must CHALLENGE the brain. It gets bored; we know that well.
4. Four, we need NEWNESS, new pursuits, new ideas, new activities in our life.
5. And five, last but definitely not least, we must nurture ourselves and each other: call it sharing basic HUMAN LOVE.

Diamond has for more than 50 years researched the brain, and has done numerous experiments to back up her findings. Social Ventures with a triple bottom line approach have the potential to attract those who have come to an understanding of what constitutes a healthy work environment, and further strengthen the competitive nature of Social Ventures.-The best talent might find it worthwhile to be a part of such

a community, even though monetary incentives are not as competitive as those of for-profits.

Lower monetary incentives might actually not necessarily be a competitive disadvantage, as pointed out in the article “Not for the Profit, but for the Satisfaction? – Evidence on Worker Well-Being in Non-Profit Firms” by Benz (2005), since three out of four non-profit employees think that their organization is good at ‘helping people’, whereas only half of for-profit workers do. People who experience both for-profit and non-profit employment are on average more satisfied with their jobs when they are working for a non-profit firm than when they are employed in a for-profit firm (*ibid.*). Evidence as described by Leete (2000), show that there exist a negative wage differential exists in some industries, thus corroborating findings of earlier studies that non-profit workers are willing to work for lower wages than for-profit workers (e.g. Preston, 1989, Weisbrod, 1983). Being intrinsically motivated goes a long way:

Employees in non-profit firms are taken to be intrinsically motivated, be it by a desire to produce a quality service, to promote the ideas or the vision of the non-profit’s mission, or to assist in the production of a public good they see as desirable for society at large. There is a strong notion that people working in non-profit firms derive some other kind of utility from work than just the monetary reward that compensates them for their work effort.

(Benz, 2005: 156)

Contrasted with the non-sustainable economic conditions of governments taking on too much debt around the world, and the negative externalities of profit maximizing corporations that remains unaccounted for, Raj Patel reveals in his book “The Value of Nothing: How to Reshape Market Society and Reclaim Democracy” (2010) how a \$4 hamburger has hidden ecological and social costs of about \$200.

If we were to value the rainforest that was destroyed so that cattle could be raised on that land, how much would it cost? We lose biodiversity, we lose the nutrient cycles of the rainforest, we lose carbon, we lose the oxygen being produced — to which the can be imputed a dollar value. Additionally, there are also hidden costs of labor in the food. Burgers come with tomatoes, which for the American winter will likely come from Florida, and chances are that the people who are picking those tomatoes are

getting paid pennies for a 48-pound bucket of tomatoes. You might not realize that all this goes into your price of a hamburger, yet *over 1,000 people have been freed from conditions of modern-day slavery under articles that constituted abolition* since 1997 in the US. Workers were being paid pennies for a day's work, and forced to pay for things like showers. Working with pesticides every day, require frequent showers. Furthermore, there are more hidden costs in healthcare for those engaging in excessive calorie intake - which results in overweight and obesity (Patel, 2010).

It is easy to contrast the capitalistic and highly diverse system of the United States with the socialistic homogeneous system of Norway, saying that obviously governance in Norway is better. However, the Human Development Index of 2013 by the United Nations show that Norway is ranked as number 1 and the United States comes in 3rd (Human Development Report, 2013). We will outline an explanation for this below.-Norway's harsh environment and homogeneous culture allow us to think ahead in time, and agree as a nation on certain basic practices like free education. While the government might not be as big and prevalent in the United States, non-profits mark a stark contrast to the private sector, doing much of the social and environmental service that is done by the government in Norway. The United States is more entrepreneurial by nature, marked by strong mobility in the work force and willingness to move around. Many Americans seek to be altruistic either by "sacrificing themselves" through low paid jobs in non-profits, or through massive wealth generation in the for-profit sector so that they at some point in life can deeply engage in philanthropic activities.

A well-known quote says that: "If altruism could be sold in pill form, it would be a best seller overnight". Stephen Post has done studies on altruism, where he in his article: "Altruism, Happiness, and Health: It's Good to Be Good" (2005) concludes, with some caveats, that "a strong correlation exists between the well-being, happiness, health, and longevity of people who are emotionally and behaviorally compassionate, so long as they are not overwhelmed by helping tasks".

Altruism contributes to positive externalities in Social Ventures, further widening the gap between single bottom line corporations and triple bottom line organizations, which gives rise to my last research question:

4. Inequality has been found to be a leading cause for many health and social problems. How do Hybrids compare to other organizational structures in terms of being beneficial to the society, with a particular focus on egalitarian outcomes?

3. Social Entrepreneurship & Social Finance Literature

In the following section, we will give introduction to the core concepts relevant to this paper. Before we attempt to pinpoint the defining features of social entrepreneurship, as crucial for the methodology and assessing Nevara as an action research project, it is necessary to give insight into the environment that social entrepreneurship navigates within.

Here we will review core concepts and developments within social finance. To be able to place Nevara in a structure of social finance, we will talk about what constitutes social banks, what is meant by a social user and what characterizes social enterprises. The paper will then go further in-depth on what is actually referred to when talking about social entrepreneurship. This is due to several reasons; first, it is a concept that at first sight can be explained by its intertwined focus on social and profitable solutions, albeit at closer inspection there are many other factors that arguably need to be present in order to avoid inflation of the concept. Secondly, the information given here will serve as a blueprint for the methodology of this paper, to analyze Nevara as social entrepreneurship in comparison with the literature on the subject. Following this, the paper will review five recurrent themes which touch upon the benefits of social entrepreneurship and the challenges social entrepreneurship face, being:

1) Sustainability, 2) Scale, 3) Management and Governance, 4) Collaboration and Network, and 5) Measurement of Success. As this doctorate paper develops, it will become apparent which of these broad and general challenges and benefits of social entrepreneurship relates to Nevara. The latter part gives some indications as to how

social finance is growing and offers some suggestions based on the literature for why this development is taking place.

3.1 Social Finance

Benedikter, in his book “Social Banking and Social Finance” (2011), attempts to give the reader a brief insight into social finance and argues for why social banking and social finance is particularly needed in a downturning economy. As many authors note (Benedikter, 2011; Clear, 2011), social finance, social banking, and its accompanying entrepreneurship are part of a very recent phenomenon that is increasingly attaining attention, much due to the financial crisis.

We will now examine the definition of these terms, as a clear understanding of them will be necessary as they will be applied throughout the paper. First off, *social banking* refers to banks that focus on investing in social entrepreneurship and sustainable, environmental projects. These banks are “the systemic sector that finances social entrepreneurs even if they don’t have the prerequisites demanded by mainstream banks and financiers ... that allows social entrepreneurs to concretely experiment and enact their visions” (Benedikter, 2011: 104).

A *social entrepreneur* is one who orients “himself or herself toward developing social communities in a given *ambient* by personal initiative, and in part also toward creating a variety of “micro-entrepreneurs” especially in poor communities and countries” (*ibid*). In turn, they are the ones who commonly start up *social enterprises*. Crainer (2012) talks about what constitutes social enterprises, referring to a definition offered by Social Enterprise UK:

Social enterprises are businesses that trade to tackle social problems, improve communities, people’s life chances, or the environment. They make their money from selling goods and services in the open market, but they reinvest their profits back into the business or the local community.

(Social Enterprise UK in Crainer 2012: 16)

Last, but not least, exists the social consumer, or a more succinct definition offered by Benedikter (2011), the *social user*. This is because this modification in the concept allows for the illustration of the consumer as conscious in their consumer decisions. That is what the concept entails; a growth of the consumer base where demand is becoming shaped by the increasing awareness and conscientious choices of buyers, where they are now calling for products that are produced in an environment-friendly and sustainable manner. Products that are based in down-to-earth, “real economy” investments instead of abstract, detrimental bubbles. To conclude, we need to take all these concepts and players in the social economy into account to create a full picture of how a program like Nevara can succeed - as the future consumer will act both as investor *and* press (Benedikter, 2011; Crainer, 2012: 19).

It is important to note that social finance is something that is starting to gain more and more attention amongst the general public, creating potential for social users. This is because people now are actively seeking more grounded investment opportunities. Benedikter offers some reasons for why they are increasingly turning their attention towards social finance:

... some of them in protest, but most in search of a better perspective: of transparency and reliability, a down-to-earth approach of investment, a focus in the “real economy” with practical local ties (instead of abstract international speculation) ...

(Benedikter, 2011: 2)

In other words, social entrepreneurship and the social enterprises it creates navigates not only in the traditional economy, but it is also intertwined with and assisted by social banks and social users due to the ethos that these actors share. Additionally, there is the collaboration that is common for social entrepreneurs, with both government and non-profit organizations. Taken together with the mixed aims of social entrepreneurship of profit and social missions, this placing in the middle certainly blurs the lines which creates difficulty in drawing a delineation of the concept. It is therefore necessary to review the literature on what defines social entrepreneurship and offer the conceptualization that this paper follows. This will be examined in the continuation.

3.1.1 What defines Social Entrepreneurship as a concept

As reviewed previously, social banks, social enterprises and social entrepreneurs all seek to find a synthesis between pursuing a social mission and pursuing profit. However, as Peredo and McLean (2006) point out, there are many organizations that may be included in this if there are no more specific requirements to the notion of social entrepreneurship. In order to build a more detailed conceptualization, we need to turn to the literature on other recurrent factors that authors believe to be required to constitute social entrepreneurship. In terms of the latter part of the concept, entrepreneurship, some features are shared with traditional entrepreneurship in that the individual venturing on starting a company must be ambitious, rigorous and fearless. Social entrepreneurship does however differentiate itself from traditional entrepreneurship in that the intent of starting a company is based on social goals, not simply monetary ones.

Much of the literature also states *innovative solutions* in terms of starting and running the company as required criteria. For instance, John Walker states that “[s]ocial ventures ... demand the application of innovative investment approaches designed to combat and circumvent the intrinsic challenges of the sector” (2012: 32). Innovative solutions may be necessary for social entrepreneurship to keep costs down, but are also often used as a tool to further its embedded goals, such as using new technology to be eco-friendly and find smart solutions for the community in question. Another feature of social entrepreneurship is its trait in being frugal, or rather *economical*; both in line with Walker’s argument, that there is a necessity to be economical, but also in the attempt to not be wasteful and to be able to apply a great deal of profit back into the company.

To be able to come to a fuller understanding of what defines social entrepreneurship, we need to contrast it with some forms of social enterprises. Peredo and McLean (2006) brings us to the attention that although a company may have many of the defining features of a social enterprise, it is not a given that it was borne out of social entrepreneurship. The authors rightly note that a company may have started out as a pure single-bottom line for-profit company, which, for different incentives, have later on incorporated a social welfare manifesto. The following graph helps illustrate the

different weight put on profit and social welfare depending on the organization in question.

Place of Social Goals	Role of Commercial Exchange	Example
Enterprise are exclusively social	No commercial exchange	NGOs
Enterprise goals are exclusively social	Some commercial exchange, any profits directly to social benefit ("integrated") or in support of enterprise ("complimentary")	<i>Grameen Bank ("integrated"); Bangladesh Rural Advancement Committee printing press, cold storage, garment factory ("complementary"), Newman's Own</i>
Enterprise goals are chiefly social, but not exclusively	Commercial exchange; profits in part to benefit entrepreneur and/or supporters	<i>Missouri Home Care, Ciudad Salud</i>
Social goals are prominent among other goals of the enterprise	Commercial exchange; profit-making of entrepreneur & others is strong objective	<i>Ben & Jerry's</i>
Social goals are among the goals of the enterprise, but subordinate to others	Commercial exchange; profit-making to entrepreneur & others is prominent or prime objective	<i>'Cause-branding'; social-objectivities undertaken by corporations such as banks</i>

(Peredo and McLean, 2006: 63)

Another point made here is where to actually draw the line, is it social entrepreneurship if there is more emphasis on making a profit and the social contribution is more a by-product of a profitable company? Does it really matter when the end result is that of the social entrepreneur ethos?

Peredo and McLean hesitate to dismiss those organizations that are working on social missions on the basis of being more profit-oriented. However, they do offer a very important criteria, which, in some ways hypothetically, which narrows down what qualifies as social entrepreneurship and not:

It is tempting to say that only ventures willing to accept a significant reduction in their profits as a consequence of their pursuit of social goals should be considered examples of social entrepreneurship. ... [However,] it has been argued that what makes an undertaking an example of *social* entrepreneurship is the presence of social goals in the purposes of that undertaking.

(Peredo and McLean 2006: 62-63)

In other words, social entrepreneurship is very much characterized by its setting of social goals. We believe it should also be weighted that the company sets it as a priority to redirect a solid portion of its profits back into the company, towards furthering its social goals, if it is to resemble social entrepreneurship.

Much of the literature refers to exciting cases of social entrepreneurship, where not all of them have much emphasis on being eco-friendly. For some companies, the social goal in question is of a nature that makes the environmental concern somewhat redundant. However, this paper will apply a definition of social entrepreneurship that takes into account profit, people, and the planet; the so-called “*triple bottom line*”. It is useful here to expand on the concept of “triple bottom line”, also to further exemplify the main differences between traditional finance and the sphere of value-driven social finance. Benedikter explains:

The term “triple bottom line” means that unlike traditional banks that judge lending and investment opportunities with a “single bottom line,” i.e., with the criterion of profit alone, social banks are defined by applying *three different standards to judge investment and lending opportunities that take into account three different criterions*, all of them equally considered:

- *Profit* (respectively, economic rationality; there can't be losses that threaten the development of the bank as a whole),

- *Environment* (natural habitat, protection, and sustainable handling of resources),

– *People* (the primacy of the community and the balanced advancement of society, seen as a whole).

(Benedikter, 2011: 51, original emphasis)

The reason why this conceptualization is so important is much due to the nature of Nevara, which is thought out with the aim of having the capacity to take all these three factors seriously and be able to refer to positive results in all three.

Having reviewed a detailed definition of social entrepreneurship, this paper will now proceed with an examination of the development of social finance and the increased attention that social entrepreneurship is now receiving. As mentioned above, social entrepreneurship is finding itself in a climate of increasing numbers of social users and social banks. The financial crisis that began in 2007 is argued to be the defining moment, instigating the culmination of social finance (Benedikter, 2011; Crainer, 2012: 17). This pattern is very much supported by the positive numbers that social banks can present:

During the financial crisis of 2007–2010, not only did they not lose any money, but they made the highest gains in their history, increasing their assets with growth rates of about 20–25% per year during 2006– 2008 alone. In 2009 – at the peak of the crisis – their average growth rate was about 30%. The combined total balance sheet of European social banks is currently about 12 billion euros (= about US \$16 billion), and it continues to grow rapidly.

(Benedikter, 2011: 42-43)

In this offering of new approaches and interest areas for investment, social finance emerges as being motivated by social values, not simply the motivation of profit. Rather than being single-layered with the aim of making profit, social finance entails a multi-layered ethos; embedded are ideals such as working towards alleviating poverty, offering green, sustainable solutions and rebuilding struggling communities.

It might be useful to underline here that social enterprise may sound like charity, but as McCarty states, “[i]t’s much more sophisticated” (Crainer, 2012: 16). McCarty herself co-founded “a social enterprise in India that helped low-income businesses owners grow their business. It eventually worked with over 30,000 businesses in Hyderabad and Bangalore” (*ibid*). McCarty’s project was directed by very much the same goals as Nevara has, something we will get more into detail on later in this paper. Another example is the social enterprise of Margaret Cosette. Cosette started a small public-sector program, Missouri Home Care, that provided careers in seniors’ homes to prevent them from relocating to nursing-care homes. It was run as a charity starting out with a \$4000 grant, but the demand increased and as a non-profit, it was not eligible for bank credit. Cosette then decided to move the program into the for-profit arena, and it has expanded to become “a profitable company with several million dollars in revenue, serving several thousand clients and providing employment for a large number of home-care aides” (Peredo and McLean, 2006: 61).

Perhaps the attention given to social finance at this moment in time is crucial, as it needs to be utilized to the fullest; giving consumers the opportunity to learn more about social finance. Consumers who have the characteristics of, or potential to be, social users, would find social finance appealing in that it is more desirable in terms of “financial humanism” (Benedikter, 2011) where there are opportunities for both profit and sustainability. Social finance, in contrast to general charity, still operates within the world of capitalism, as it aims to make a profit (Benedikter, 2011: 83). This may also explain some of the popularity that social banks are enjoying: they are attracting customers perhaps due to the middle way they offer, between being responsible along the triple bottom line and at the same time aiming for a sustainable profit.

On the other hand, Benedikter talks about the housing loan bubble where an interesting parallel to social entrepreneurship is made. Also, in his illustration of the housing bubble, everyone gained and implicit consent existed amongst all parties involved. However, the housing loan bubble resulted in a burst so violent, precisely because as a ballooning structure where everyone was implicit/alongside everyone deriving benefit, the structure arrived to be unsustainable once loaners could not pay down their loans:

In fact, to invest money by speculating (not into the real economy) had become increasingly fashionable during the past decades, making speculation not only a financial, but also a cultural trend and an accepted basic civilizational mindset, generally branded as “progressive.” Speculation “above” and “below” the real economy was in the process of becoming more important than the real economy, not only regarding the concept of “success,” but also in the minds and hearts of large parts of the population.

(Benedikter, 2011: 38)

Referring back to the current opportunity to market social finance amongst the general public, what Benedikter is pointing out here is the unhealthy dynamics that could be located within the housing bubble. As housing prices rose, buyers would view it as an investment, they would buy the house, renovate it and sell it again with a profit. Banks would also benefit from this; as it became necessary for house buyers to take up ever-expanding loans and banks received larger profits from interest rates. It seemed like there was no ceiling to this cycle, but eventually the required house loans became disproportionate to the average house buyer’s income to the point where people defaulted on their loans (Benedikter, 2011).

Although it would appear that everyone gained from this cycle at first glance, it was a very vulnerable structure with ‘artificial “unspiralling”’ (Benedikter, 2011: 9) and inflation of housing prices where not much real value was *created*, but rather where already existing commodity was traded and its value inflated. This is where social finance and the entrepreneurship of this project stands as a contrast. When focusing on local ventures and sustainability, one of the aims is that value is created, used efficiently and constructively and that the local community can enjoy the value created, so much so that a dollar earned in the community can be spent many times over in that same community. In other words, one seeks to avoid the inevitable, although illusive, ceiling that became apparent with the housing loan crisis. Social finance attempts to create a *sustainable* and *stable* “closed” cycle that is adapted to the localities of its operations. We will now proceed to illustrate some of the characteristics, benefits and challenges involved in social entrepreneurship, drawing

from the general literature and the five challenges found by Michael Hay, Professor of Management Practice at London Business School.

3.2 Sustainability

3.2.1 Obtaining Funding

The first challenge Michael Hay introduces is one of *sustainability*. In this, a major component is funding. In order for a social enterprise to sustain, or first and foremost, to be enabled to come into existence, funding is crucial. There are many ways a social enterprise can obtain funding, and the available options in funding are steadily increasing. Hay argues that they in fact need to “get the right mix of income from gifts, grants, loans, equity and revenue” (Hay in Crainer, 2011: 20).

A potential side to social finance is that it may receive some funding from the government if the project is of a nature that reduces the costs of services a government would normally have to fund. One example is the concept of justice reinvestment. Clear (2011) talks about justice reinvestment as one aspect of social finance. Again, the concept of justice reinvestment rings familiar to the ambitions of social finance: its aim is to use the monetary resources normally spent on incarceration and redirect it towards local projects where the offender is placed to rebuild his or her local community in way of being given a job in said community. Clear refers to one of the most successful projects which took place in Michigan, leading to 20 prisons closing and millions of dollars reinvested in community-level social services (Greene and Mauer in Clear, 2011: 587). He also refers to a project in Connecticut led by CSG Justice Center, where:

... probation violations dropped from 400 in July 2003 to 200 in September 2005 [and the] decrease in the prison population over a two-year period was steeper than that seen in almost any other state while the crime rate continued to drop. Almost \$13 million of the nearly \$30 million saved was reinvested in community-based pilot projects.

(Council of State Governments in Clear, 2011: 587-8)

In short, money saved on lowering prison populations becomes redirected and invested in local communities instead. Clear however notes that one of the difficulties of reducing expenses for government and the services it must provide, is that the money saved in a given community is not redirected and aligned with the aims of social finance, but rather goes towards funding general social services which are not located in the community in question (2011: 593).

Relating back to the Nevara project, our main component in revitalizing local communities is through means of healthy food. The project might also in a long-term perspective recruit volunteers who for different reasons may need employment. A given program constructed with such goals could help those who are unemployed, from poor educational backgrounds and with limited job readiness skills gain competence and a sense of purpose. If successful, this could lower the pressure on government social services.

Justice reinvestment is one illustration of a social enterprise in its value-based, fund-saving and community level approach. Justice reinvestment mainly aims to receive funding from the government, that is, when it functions optimally and reaches the stage where it can demonstrate that it is saving the government costs of incarceration. It is at this stage that Clear (2011) proposes that justice reinvestment programs are in a position to ask for vouchers that will be part of funding. Clear also gives a hypothetical example of a program that would be partly self-sustainable:

For example, one business could be a restaurant serving healthy foods at affordable prices, designed to compete with fast-food restaurants that proliferate in the area. The restaurant could serve foods at reduced prices because the labor costs would be lower than most restaurants for two reasons. First, the voucher system would defray some costs of the restaurant. Likewise, people working in the restaurant would receive a portion of their rent as pay for their work, again reducing the costs of the restaurant while also stabilizing the rent for apartments.

(Clear, 2011: 603)

However, as we just touched upon, the first challenge that justice reinvestment encounters is that there will most often be a lag between the initiation of a program and the ability to demonstrate that it is procuring actual savings for the government. Also, a given example like the one above would be very dependent on the voucher income to sustain itself.

Another novel option in terms of funding is *social impact bonds*, the main example referred to in the literature being the social impact bond in connection with Peterborough prison in the United Kingdom. As Clear states, the allure to social impact bonds is that it provides a source of front-end funding, rather than having to show that the initiative works before being qualified for funding. Another alternative in receiving front-end funding would be *foundation funds*, such as UnLtd, the Foundation for Social Entrepreneurs, which has a £100 million endowment to support social entrepreneurs.

3.2.2 Making a Profit

Pradeep Jethi, co-founder of the Social Stock Exchange discusses how social enterprises may have lower profits than conventional investments, and points out that this might not necessarily be negative. He says, "... social enterprises tend to be much more prudently run. Investors frequently decide to forego some return by investing in a less risky business. You invest in risky businesses in the expectation of high returns, and the reverse applies" (Jethi in Crainer, 2012: 16). In other words - the riskier the investment, the higher are the chance of larger losses. As a contrast, social enterprise entails value-driven goal of investing in project that serves the good of the people and the environment, are naturally tuned to avoid being reckless with their investments.

We should emphasize that social enterprises, in terms of remuneration, are much more cost-effective. Instead of giving inflated and obscene amounts of remuneration to leaders and managers, the structure of a social bank or a social enterprise is commonly one that rather strives to inject profits back to the company in order for it to improve and grow.

More generally, as noted before, maybe this is the right time for social finance to come forward and set an example of how an enterprise should be run. Social enterprises represent something important in relation to sustainability. Hay eloquently explains:

Frugality is often second nature. Social enterprises tend to never buy new what can be bought second-hand; never buy what can be rented; never rent what can be borrowed; never borrow what can be begged; and never beg what can be salvaged. At a time of austerity, social enterprises can teach corporations valuable lessons in frugality.

(Hay in Crainer, 2011: 20)

3.2.3 Monetary and Social Incentive for Employees

Social enterprises share many similarities with non-profit, charity organizations. We stated earlier under proposed research questions that social enterprises are more sustainable as employees have more incentives, both monetary and in terms of the sense of worth one derives from working for an organization with a social purpose. Social Enterprise Europe points out that with mission statements of those found within social enterprises, in addition to the aim of making profits, also provide a greater *incentive* for workers (Crainer, 2012: 16). This is in contrast to if it were a non-profit undertaking where there is not the same solid, monetary incentive to drive the mission forward. There is of course a downside to this: naturally the challenge of attracting talent, as good talent can easily opt for a much higher-paying job in the more traditional finance sector. Both among the CEOs and the employees in lower ranks, there would perhaps have to be a personal ambition within the individual which, for him or her, makes lower wages acceptable. However, this may in fact make the enterprise more sustainable. “[T]he differences between the different ranks are less accentuated” (Benedikter, 2011: 44); making the workplace more unified, which in turn could create longevity for the enterprise.

3.3 Scale

The second challenge to social enterprises, according to Hay, is the issue of scale. For many social entrepreneurs, the challenge is to align lofty ambitions and value-driven goals with practicalities and starting out right. While social enterprises are perceived as commonly being small and local, there are those who grow large enough in size to affect a whole country, or that has a model, which can be adapted and applied, in many different markets all over the world. This is particularly the case with social enterprise models that are very much based on innovative technology.

3.4 Management and Governance

The way a social enterprise is run in terms of assigning roles and responsibilities, setting goals and managing finances, has a lot to say of whether a social enterprise succeeds or fails. One of the more normative issues that often may be a concern within social entrepreneurship is, as Hay states:

Governance – or lack of governance – is a major challenge for social enterprises. There is a temptation to believe, especially dealing with major social problems, that the ends justify the means. This can mean that a great deal is taken on trust, and that what would be considered as due diligence in the private sector, is overlooked.

(Hay in Crainer, 2012: 21)

Sharir and Lerner (2006) studied 22 social enterprises in Israel, in order to offer a theory on what makes a social enterprise successful. Some of the more dominant factors in terms of success were how dedicated the entrepreneur was and who his or her team consisted of.

3.5 Collaboration and Networks

Hay points out that one of the challenges for social enterprises is collaboration. Social enterprises often collaborates with government or other similar organizations who work towards similar goals, and it is important that this cooperation is effective and runs smoothly. Difficulties arise if the goals of two organizations are somewhat

divergent (Morris, 2012: 151). Although it can be a demanding process, when cooperation works well, all parties can experience positive gain:

Cooperation is a process in which individuals and organizations exchange information, coordinate and share resources, work, risk, responsibility and rewards (Himmelman, 1996), and gaining it is a complex process requiring the investment of emotional as well as organizational effort (Huxham, 1996).

(Sharir and Lerner, 2006: 15)

Sharir and Lerner (2006) note several examples of successful collaborations, one being that of an organization for blind children in Israel which teamed up with the main school for blind children, for instance offering activities at the school's premises in the afternoons. The same organization also cooperated a great deal with the nation's Organization of Blind Students, which enabled them to acquire funding and assist in obtaining scholarships to especially talented blind students. This leads us to the next element under this heading, that is, the value of network for social enterprises.

The one most dominant factor in Sharir and Lerner's (2006) study, mentioned above, was the ability to network and the social capital already in possession by the social entrepreneurs.

3.6 Measurement of Success

There are numerous models offered within economic and entrepreneurial science as a way of measuring success of social enterprises. Here we draw eclectically from several sources within the literature to create a picture of the complexity and many components involved in estimating the success or failure of a social enterprise.

First off, it should be noted that with the way social entrepreneurship is driven by social missions, there will always be an issue of determining causality, or even correlation, in relation to what effect the organization has on its mission. Dame Mary Marsh, director of the Clore Social Leadership Program, gives this sentiment:

True impact is long-term and sustained, but it is also very hard to isolate the causal effects of significant change in the social arena, because there are so many contributing variables. ... if all you pay attention to are the things you can count, it narrows the range of what you look at.

(Dame Mary Marsh in Crainer, 2012: 21)

Sharir and Lerner (2006) recognize this difficulty within measuring and estimating the success of a social venture. For the purpose of their study, they nonetheless managed to find three criteria for measuring success, which were: "(1) the degree to which the social venture achieve its declared goals; (2) the ability of the venture to ensure program/service continuity and sustainability by acquiring the resources necessary to maintain current operations; and (3) the measure of resources available for the venture's growth and development" (Sharir and Lerner, 2006).

They found that the following 8 factors, in order of importance, were most determinant in gauging whether a venture would be successful or not: the venture's social network; total dedication on behalf of the entrepreneur; a budget of at least \$50,000; acceptance of the concept; the venture's staff; long-term cooperation; standing the market test; and previous managerial experience (*ibid.*: 12).

According to their findings, a social venture will be much more likely to achieve its goals and secure a foundation of sustainability and endurance if the entrepreneur has a strong social network, which can assist the entrepreneur's opportunities in cooperating with others and attracting talented employees.

Another interesting side to the measure of success is the market test. Standing the market test here means those social ventures are "selling services and obtaining long-term service contracts" (Sharir and Lerner, 2006: 15). It reminds us of the blurring of social entrepreneurship as not fully fitting solely within the economy of public nor business concerns, but being of a "third-sector organization" (*ibid.*: 6). This is because, of the 13 ventures Sharir and Lerner found to be most successful in their study, a total of 5 ventures never stood the market test. That can simply be explained by their social goals. For instance, the House of Life for Holocaust Survivors was

financially sustained by the municipality of Holon which provided the needed resources from the start of the venture (*ibid.*: 11).

This issue of social entrepreneurship being a “third-sector organization” becomes apparent in measurement context. Rojas (2000) examines four different models for Organizational Effectiveness (OE) and notes that one difficulty is that:

A major difficulty [in measuring] OE in comparing for-profit and non-profit organizations is the relative interpretation of the commitment and productivity components. It is though that commitment in the for-profit domain is tied to career progression, personal income, and business survival, whereas commitment for non-profits is based on generosity and volunteerism, which may not have a bearing on OE. The concept of productivity in the non-profit sector is less tangible and more perceptual than in the for-profit sector.

(Rojas, 2000: 98-99)

Rojas argues, with reference to numerous successful case-studies, that the model which most sufficiently takes into consideration the difficulties as mentioned above, is the Competing Values Framework (CVF). He refers to the work of Quinn (1988) and the four quadrants on a control-flexibility and internal-external continua:

The “Human Relations Model” sees participation, discussion, and openness as ways to improve morale and achieve commitment. The “Internal Process Model” sees internal processes such as measurements, documentation, and information management as methods to achieve stability, control, and continuity. The “Open Systems Model” relates insight, innovation, and adaptation as a path toward external recognition, support, acquisition, and growth. Finally, the “Rational Goal Model” seeks profit and productivity through direction and goals.

(Quinn in Rojas, 2000: 100)

As we can see, the four quadrants appear to be capable of drawing out the essential factors *across* for-profit and nonprofit organization. Measuring social entrepreneurship is an expanding field, albeit not currently with one official

measurement standard (Hay in Crainer, 2012: 21). Some organizations that are particularly prominent in this field are Social Return on Investment Network, Impact Reporting and Investment Standards, and the Global Impact Investing Rating System (*ibid.*).

4. Methodology

This project is largely based on theory on social finance and social entrepreneurship. It draws from theory on social finance projects and applies this in the action research project Nevara. Elements of action research have been applied to develop a solid understanding of Social Entrepreneurship, which will be briefly mentioned – but is currently in too early stages to independently provide convincing arguments on its own. Before explaining methodology and what defines Nevara as action research, it will be useful to first remind the reader of, broadly speaking, the characteristics of social finance. This will provide the basis that the aims of the project, and as a consequence, its methodology, are built upon.

To start off, social finance is an interesting example of a method that combines values and practical considerations. It can be stated that the project Nevara is based on a value-driven initiative, which informs the methods and strategies of the project. This economic and social research involves a mixed-method approach that incorporates values, theory, empirical data and practical considerations (Bryman, 2012: 39). Its aim is to combine the mechanisms of capitalism, which can be agreed to have the *practical* aim of making profit, with the *value-driven* goal to alleviate poverty, protect the environment and enable sustainability in a community.

4.1 Action Research

At its core, Nevara is an *action research* project. It is a project that is shaped along the value-driven aims of social finance. However, the most common approach in research in general, is that the researcher observes an already established phenomenon, in the various ways that research methods allow for. Whereas the Nevara project wishes to observe what can be achieved if the project is executed in a given way, *generating* the research rather than finding and observing it. As Bryman

states, “the emphasis on practical outcomes differentiates [action research] from most social research”, which is why it can be found most commonly as a method applied in education and organization studies (2012: 393). As a consequence of its focus on the practical outcomes that Nevara may produce, the project has the ambition to contribute to a blueprint of how one should invest in the “real economy” (Benedikter, 2011).

Some of the defining features of social finance are its aims to alleviate poverty, focus on local, grounded investments, helping struggling communities and applying innovative forms of technology towards sustainable solutions. It defines problem areas and solutions to them. Along these focus areas, action research is often applied in a way that it defines and maps a problem, and offers a solution with the action research project in question (Bryman, 2012: 397). The paper will now proceed by outlining some of the diagnosis of a problem that Nevara focuses on, and the proposed ways in which it offers its solutions.

What is the problem diagnosis that Nevara focuses on? As a starting point, Nevara has the aim of *encouraging trade* within the *local community*, focusing on supporting local farmers and creating solutions that are consumer friendly and which may increase sales for farmers. In other words, Nevara wishes to help and encourage consumers to buy locally and eat more healthy food, assist local farmers in increasing their sales - as a consequence of these two elements, boost the local economy and improve the local community. Our problem diagnosis is very much derived and based on the statistical indications of poverty and healthy lifestyle, as examined previously in this study.

One of the problems that Nevara wants to help alleviate is the incomplete utilization of local trade. Regular consumers may choose the easy option of going to the supermarket to buy their fruit and vegetables, which means that the dollar they spend in the supermarket is removed from further use in the community. It may also be an issue of lack of information, where the consumer is not informed of the possibility of buying locally; hence he or she goes to the supermarket instead. Whereas if the consumer spends the dollar buying local produce, the consumer supports the local

industry, which maintains the dollar to be spent again in the community, encouraging and enabling local growth.

4.2 Proposed Action Research Solutions

What is the solution? As it stands today, local farmers might not have an optimal outreach to potential customers. Within this, Nevara applies new software and technology to build brand recognition for the farmers and bring locally produced, pesticide-free fruits and vegetables to the customers through convenient solutions. The technology aims to encourage consumers to buy locally and healthy, instead of going to the supermarkets. This, in turn, enables a dollar to be spent more times over in one local area.

In proceeding with the action research project, we have applied qualitative methods. As a qualitative study, the goal as defined in Qualitative Researching (Mason, 1996) is to provide convincing arguments. A qualitative approach was decided upon due to the emerging nature of social entrepreneurship, as there is not sufficient data available to justify a sole quantitative approach. While comparing social entrepreneurship with more established organizational forms of managing resources, qualitative research might be used to quantify both positive and negative impact on the triple bottom line.

In conclusion, one of the aims of the Nevara action project is also to create ethnographic data, which can later be used to help shape and inform similar projects. When it has reached this stage, it will also bear the characteristics of a inductive research project, where it could have the potential of informing further theories (Bryman, 2012).

5. Data Sources

As previously addressed, the structure of the research is shaped according to action research. To guide the project, we have reviewed relevant literature and statistics, and conducted secondary analysis of previous research and empirical data: 1) we have referred to literature that provides theory on what characterizes social finance, social banking and social entrepreneurship. 2) To provide a basis for the problem that Nevara as an action research intends to offer solutions to, we have gathered statistical indications of poverty, healthy living, education and unemployment, which in turn have mapped the extent of the problem. 3) The empirical data is being drawn from experiences found in previously conducted local community projects.

One of the difficulties with building a research paper on a project such as Nevara is that such projects are quite new initiatives, and as a result, there is a lack of empirical data to learn from (Clear, 2011: 586). There are some practical projects on community development provided by advocates and policy groups, which we have studied in the literature review.

A case study on the YMCA will set the foundation for understanding an example of The Hybrid Model, due to their many business activities as a non-profit. The YMCA was founded in 1844, and has since grown into one of the largest volunteer organizations in the world, serving more than 45 million people in 120 countries. The YMCA might be considered a social enterprise, having employed many business practices to promote youth development, healthy living and social responsibility.

As social entrepreneurship is a fairly new concept, The Hub, a for-profit with a social mission, founded in 2005 (London) will be compared with Agora Startup House, a non-profit, founded in 2011 (Berkeley). Both seek to educate and encourage the formation of social enterprises, through the establishment of an interconnected community – addressing slightly different markets and a distinct organizational form. Agora Startup House seeks to achieve its global growth in collaboration with Rotary International, another non-profit, through an initiative named Rotary Startup Housing.

Upon realizing the inevitable decline of our society, as we know it, fueled by greed of profit-maximizing multinational corporations and politicians susceptible to lobbying - with an inefficient government heavily in debt, it became clear to me what challenges I am up against in putting the initial foundation for a more sustainable global solution. The evolution of Agora Startup House for providing Startup Housing on a massive scale as a research project was too slow to deserve my continued full devotion. It was time for me to yet again redirect my focus, upon which all the puzzle pieces came together when I learned about the many horrifying stories of Monsanto's business practices.

While I had developed and cultivated all the ingredients for setting up Residential Social Entrepreneurship Incubators near every University throughout the whole world, I also found the one ingredient that we all have a relationship to - which can unite us all: Food.

Monsanto had become the symbol of how this constant strive for maximizing profits is tampering with something as sacred as life itself (seeds). Holding more than 11,000 patents on genetically modified seeds, Monsanto has successfully been able to secure sole ownership to what the Patent Office for the longest time prohibited: the ability to patent life. Empowered by legal rights following the ownership of patents, Monsanto Police have actively been pursuing Organic Farmers that are exposed to cross-fertilization with neighboring Monsanto Crops. Which in turn tampers with our food, forcing us to endure higher levels of pesticides.

Nevara was then launched as a research project, to serve as a counter-force to Monsanto, uniting people around the desire for healthy food - well positioned around the long-term concept of wellness, strongly aligned with the overall interest of the general public.

Agriculture, as being the oldest industry around, gives rise to a solid data source when doing efficiency studies focused on the triple bottom line approach. The publicly traded corporation Monsanto might have started off with the best intentions, improving the yield in agriculture with the use of Genetically Modified Crops, and then finding themselves too deep in obligations to their investors to be able to change

course from their current profit maximizing path. I spent my two first weeks of January 2013 in St. Louis, Missouri, hometown of Monsanto, to build relationships with those educated about Monsanto. Monsanto has a market capitalization of \$55 billion, having fought through massive opposition against tampering with nature in their global expansion. Initiatives like STLgrown.com have been put in place to create goodwill in their local environment, in addition to Monsanto Fund, which has a mission of providing basic education support to farming communities around the world. While Monsanto is unquestionably profitable while contributing to their local community, there are doubts with regards to whether they should be evaluated following a triple bottom line approach. It might very well be that Genetically Modified Crops just give a false premise of providing a higher yield, and obfuscation of such findings would put Monsanto in the category of other single bottom line corporations.

The Nevara Team attended the Eco Farm Conference February 2013, where Denise O'Brian, Co-Founder of Women, Food and Agriculture Network, states that:

.. despite the continued urging that we 'need' even more dangerous chemicals and untested GMOs to feed the world, there is more evidence than ever that ecological agriculture feeds us better and at a lower cost over the long term. We should expect that our food and farming system will restore the landscape, bolster rural economies, and actually nourish people. It's only when we hold all food producers to this standard that they will rise to the occasion.

(ecofarm2013.org/event/cultivating-our-capacity-to-feed-the-world/)

Vikram Akula, who founded SKS Microfinance in 1998, was pressured to leave his company after having taken on Venture Capital to fuel its growth - for providing microloans to a greater population. SKS Microfinance eventually went public resulting in an increased pressure from micro-loan recovery agents. Akula made attempts of addressing this growing issue of borrowers taking their lives, in the company he himself funded, ended with the company carrying on without him. SKS Microfinance was linked to at least 7 suicides in 2010, attracting much media attention. Akula acted in the best intention bringing on institutional capital to help more poor people, not being respectful for the risk of the once social mission company turning into a

profit maximizing corporation – increasing interest rates, fees and applying questionable debt recovery methods.

Monsanto might be in the same trap, continuing to spread GMO seeds with potentially devastating social and environmental ramifications. Employees who understand and express concerns related to actual impact, would eventually quit or find themselves squeezed out of the organization, as their concerns are not aligned with the ultimate goal of Monsanto: to maximize profits. Over time, whoever remains at the top, are there for the sole purpose of representing shareholder interests. As shareholders can liquidate their position relatively quickly, their interest goes more towards capital gains or dividend payments in the short term. If established that ecological agriculture can provide more healthy food at a lower cost, it will truly uncover the dark side of multinational publicly traded for-profits.

Social Venture Nevara, structured as a non-profit with earned income, was founded January 2013 to build an Urban Farming Platform. Nevara will initially position itself as a consulting service, while building the platform in parallel, applying a triple bottom line approach to attaining a social and environmental impact. As a case in how a social venture should be structured, Nevara will be contrasted against Monsanto, with focus on all externalities – both positive and negative (Shiva, 2006).

As part of the qualitative method, we have contacted local farmers in the San Francisco area. In order to find local farmers, we used the websites Local Harvest (www.LocalHarvest.org) and Pacific Coast Farmers' Market Association (www.PCFMA.org). We are visiting all the farmers within a 25-mile area of San Francisco that are listed on these websites. It is a gentle process where the challenge is to receive feedback on our queries and to establish participants who are willing to be part of the continuation of the project.

When contacting farmers, we approach them in person at their farms, introducing ourselves and the mission of the project. The farmers who agree to contribute to the project are asked questions at a later date, in the form of a semi-structured interview. In some cases they request to answer the questions in their own time, which is when we send them a questionnaire to complete. Questions asked are competition-

sensitive, and we emphasize to our participants that all feedback is anonymous and secured.

Having interviewed numerous Farmers and Farmers' Markets in a few states across the US, it is clear that the space is filled with entrepreneurial opportunities, which virtually nobody is pursuing. Yet, there are high levels of innovation going on in isolated geographical areas both nationally and at the base of the pyramid. Which fits perfectly with Nevara's ambition of growing organically, in collaboration with Rotary Startup Housing. Having attended the 4th national Slow Money gathering, it became clear to me that there are many entrepreneurs passionate about various food enterprises - but most are structured as for-profits, and other non-profits are more focused on hands-on local farming.

The healthcare industry is having much the same challenges as we find in the agricultural industry, with well-established actors, long sales cycles and tight budgets. Yet, various healthcare reforms are sparking entrepreneurial and investor interest - allowing for sizable investments, big enough to have the desired disruptive-effect of bringing innovation to the industry.

The agricultural industry is not expected to undergo similar reforms, as Monsanto has deep connections high up in the system, recently confirmed by how the Monstanto Protection Act got passed - and there is still much faith among officials and investors for the ability of Genetically Modified Crops and Animals to have an impact on generating a higher yield. Which will allow Nevara to grow at its own pace, building critical relationships in the industry and offer services to such an extent that no amount of funding will pose any threat to our long-term goal of reconnecting people with nature and their local community.

Nevara has already attracted an impressive list of advisors, including knowledge and entrepreneurship professors, strategy consultant Giovanni Rodriduez, Co-founder and CEO of SocialxDesign, and also Social Entrepreneur Mike Hannigan, Founder & President of Give Something Back - the 3rd biggest Office Supplier in California. And more industry experts are expected to join, assisting with their advice and connections to facilitate the growth of Nevara.

6. Expected contributions and preliminary implications

The research community is much biased towards either quantitative or qualitative research, with action research being almost non-existent. In the summer of 2011 I had the privilege of attending a class called “Case Study Research Methods” given by Andrew Bennett who is famous for the book “Case studies and theory development in the social sciences” (George and Bennett, 2005). One of the lectures was titled “Multi-method Research: Combining Case Studies with Statistics and/or Formal Modeling” (Bennett and Braumoeller, 2002) introducing me to the power of combining both the quantitative and qualitative research methodology.—Upon discovery of action research giving rise to the possibility for building a research organization, potential for this study to result in a considerable impact is certainly within reach.

What stands out with this PhD project is that it is an intertwined *entrepreneurial project* and *research project*. Many social ventures are being described and referred to in the literature, which all have been purely entrepreneurial without the research component. Whereas this project rigorously monitors the project from the very beginning, making it replicable (Bryman, 2012: 69); making it a valuable tool for other social entrepreneurs and feeds into a field which lack empirical data.

6.1 Expected contributions

Capitalism thrives in a growth economy, but shows its many flaws during stagnation and decline in the economy. The current model of corporations being contained and regulated through government interference is not sustainable when governments start struggling financially. My study on Hybrids for bringing sustainability and innovation to Social Enterprises might give rise to regulatory changes, such as changes to how certain legal entities for Social Enterprises are being taxed. Tax advantages are currently just given to non-profits, while there are now more legal structures that are legally obligated to act in the public interest. Benefit Corporations are currently being taxed the same as their purely profit maximizing counterparts.

6.2 Preliminary implications

Preliminary findings challenge much of what we know about efficiencies and economics of scale. Living in a globalized society opens us up to many possibilities, also making it challenging to continuously attempt to make right decisions. The glory days of solely maximizing on profit are over, giving rise to an interesting convergence between non-profits and for-profits. The internet and Facebook make the flow of information easier than ever, allowing for more transparency and higher levels of accountability. As the idea of maximizing profits gets more associated with the notion of evil amongst the general public, the movement towards buying and investing locally will likely grow stronger. Nevara will give much hope and faith for a continued evolution in this direction, reinforced by the future consumer taking on the role as both investor *and* press (Benedikter, 2011; Crainer, 2012: 19).

6.3 Remaining Research

Nevara has many projects in development, continuously focused on growing the organization within the realms of what we can manage. In addition to growing the organization itself, we are also actively pursuing partnerships and collaborations where missions are aligned. Being headquartered in Berkeley, California, there are ongoing activities for strengthening the relationship to students and faculty at UC Berkeley, primarily through the organizing of classes. A class entitled "Impact Assessment" is in preparation to launch within the next 1-2 semesters, which will be focused on projects related to more quantitative evaluations of the impact on social and environmental causes achieved by various non-profits. Nevara has been able to get through the critical growth phase, currently enjoying the domino effect as the degrees of separation are drastically reduced with the growth of our organization. We expect to enter partnerships with other mission driven organizations, launching more ambitious projects at an accelerating pace as we approach a solid market/solution fit.

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