World Review of Business Research
Vol. 3. No. 2. March 2013 Issue. Pp. 95 – 112

Investigating Social Entrepreneurship in Developing Countries

Nthati Rametse*[1] and Hetal Shah**

Social entrepreneurship has drawn interest from global policy makers and social entrepreneurs to target developing countries. Generally, not-for-profit organizations, funded by government and donor grants have played a significant role in poverty alleviation. We argue that, by applying entrepreneurial concepts, organizations can create social value, hence mitigate poverty. This is a theoretical paper that builds upon a multi-dimensional model in analysing how three social enterprises from India and Kenya create social value to address social problems. The findings suggest that whilst the social mission is central to all these organizations, they also create social value through innovation and pro-activeness. Additionally, the cultural and political environmental contexts hinder their attempt to create social value. Building networks and partnerships to achieve social value creation is vital for these organizations. Policy makers should devise policies that would assist social enterprises to achieve development goals.

JEL Codes: M13, L31

1. Introduction

Developing countries experience significant economic, political and social challenges. Global poverty affects more than one billion people in the world (Roy & Roy, 2010). Traditionally, non-profit-organizations (NPOs) funded by donor organizations and government grants have played a significant role in an attempt to alleviate poverty. Yet, the sole use of donor grants and government funding has been unsuccessful in the eradication of these problems. The highly competitive environment requires NPOs to contest for donors. Thus, innovative approaches that provide solutions to these challenges are vital and social entrepreneurship (SE) seems to be an effective approach. For example, in addressing the problems of poor quality of drinking water and sanitation in India, Gram Vikas embarked on new and creative solutions to these problems. SE is a trend that is drawing particular interest from researchers and policy makers. The entrepreneurial aspect of social enterprises relates to their promotion of social equity, as evidenced by individuals such as Professor Muhammad Yunus, who initiated Grameen Bank Project that created opportunities for self-employment for women in rural Bangladesh. Moreover, by focusing on their social mission rather than predominantly profit maximization, SE

* Dr Nthati Rametse, Faculty of Business, School of Management, RMIT University, GPO Box 2476V, Melbourne, 3001, Australia. Email: nthati.rametse@rmit.edu.au
** Ms Hetal Shah, Faculty of Business, School of Management, RMIT University, GPO Box 2476V, Melbourne, 3001, Australia. Email: Shahetal22@hotmail.com

strives to address social issues and sustainability. Social enterprises' ability to achieve both a social and financial return (hybrid) is relevant to developing countries, hence can be used to attain a sustainable solution to a social problem (Roy & Roy, 2010). The model empowers the people affected by poverty directly by giving them the opportunities for income generation (Nielsen & Samia, 2008) as commercial activities and market based approaches can be used to tackle social issues. This then raises the question on what really constitutes SE?

The definition of SE is controversial. Due to the diversity in the application of SE, various parties adopt different definitions based on criteria for their purposes and research areas. Existing definitions range from broad to narrow (Austin, Stevenson & Wei-Skillern, 2006). Overall, these definitions highlight the importance of social value creation and innovation in SE. We define SE as a process of creating social value, through the key entrepreneurial dimensions of pro-activeness, risk management, and innovation which are constrained by and respond to the environment, sustainability objective and the social mission of the organization (Weerawardena and Mort, 2006). We use this definition because SE dimensions, particularly innovation and the need for sustainability, are supported by the literature (Leadbeater, 1997; Dees, 1998; Haugh, 2005; Mair & Marti, 2006; Austin et. al, 2006; Diochon & Anderson, 2009). This is inclusive of the importance of establishing networks and partnerships, which is not included in this literature.

In developing countries, services for basic needs such as health and education are limited, inefficient and of poor quality (Seelos & Mair, 2005). For example, the problem of blindness, due to cataract, caused by lack of proper nutrition, is prevalent in developing countries. Statistics show that in 2006, around 20 million people world-wide suffered blindness due to cataract, of which over 80% were in developing countries (Rangan and Thulasiraj, 2007). These authors note that in 2006, around 25% of Indians lived below the poverty line and could not afford better quality eye care. Consequently, Aravind Eye Hospital, which created models that catered for the needs that both the markets and institutions failed to satisfy (Seelos & Mair, 2005), was conceived. Developing countries' market and government failures and the environmental context, create barriers for the poor to be included in the market. For example, small-holder farmers in developing countries, such as Kenya, have failed to achieve sustainability due to a lack of resources to compete in the market, with their large counterparts. Historically, the role of entrepreneurship in promoting development had been ignored (Naude, 2010). Recently, SE seems to be a sustainable approach in using available resources to tackle poverty and other social issues (Roy and Roy, 2010; Seelos & Mair, 2005; Alvord, Brown & Letts, 2004).

The problem of global poverty was recognised by world leaders in the year 2000, when they developed a set of Millennium Development Goals (MDG's). The MDGs represent eight specific, quantifiable and monitorable goals aimed at fighting poverty and boosting development by the year 2015 (United Nations General Assembly, 2000). Moreover, there had been a call by the European Commission (2002) for corporate social responsibility (CSR) towards sustainable development. Thus addressing these issues require organizations to devise innovative approaches that attempt to provide solutions to these challenges. Employment creation is also significant for social enterprises as these organizations train and hire people in disadvantaged communities, such as women and the youth.

The structure of this paper is as follows. As the basis for the conceptual framework, section two focuses on the literature review that identify what social entrepreneurs need to focus their efforts on in achieving the objectives of social value creation. Section three presents the case organizations that are involved in social value creation activities. Section four focuses on the methodology and the model for this research. Section five provides the findings. Section six concludes the paper with a focus on policy implications so far as they affect social enterprises.

2. Literature Review

The literature on social entrepreneurship addresses numerous domains. The focus seems to be on using business models, to create social value, which Zahra, Ghedajlovic, Neubaum, and Shulman (2009) see as using economic thinking to generate social wealth. These authors highlight ethical concerns on this issue, as they view social organizations' motives of balancing the objectives of creating social wealth with the need for profits and economic efficiency as thorny, in terms of accountability and placing their personal agendas ahead of their clients' needs. However, most importantly, research has explored the characteristics of an activity that constitutes SE. For example, in agreement with most entrepreneurship scholars, Weerawardena & Mort (2006) view SE as multidimensional constructs. They argue that in creating social value, social entrepreneurs must be pro-active, innovative and be able to manage risk. However, they recognize that these behavioural aspects are constrained by and respond to the environment, sustainability and an organization's social mission. Social entrepreneurship is also viewed as undertaking activities and processes that "discover, define, and exploit opportunities in order to enhance social wealth by creating new ventures or managing existing organizations in an innovative manner" (Zahra et. al. 2009, p519). Additionally, we believe that in order to create social value, social entrepreneurs should establish successful networks and partnerships.

Austin et. al (2006) regard a social mission as a central driver for a social enterprise, which social entrepreneurs must focus on. Similarly, Dees (1998) believe that while social ventures may have a range of financial and social goals, the social mission is pivotal to the organization. Weerawardena and Mort (2006) have recognized the environmental constraints as a restriction to social value creation. To overcome this situation, Diochon & Anderson (2009) note that social entrepreneurs should understand the environment they operate in, to determine the strategy and thereby the process that the social enterprise will undertake. However, the environmental constraints, representing the political, social, economic and cultural environment are problematic in social value creation (Haugh 2005; Weerawardena & Mort, 2006; Mair & Marti, 2006). These environmental constraints can influence an enterprise's ability to pursue specific goals, acquire finance and fit in to the community (Munoz, 2009). For example, the cultural environment confirms the existence of gender bias, where women lack independence and decision making power in certain societies (Mehta & Kalra, 2006).

Innovation had been cited as an integral part of social value creation (Dees, 1998; Diochon & Anderson, 2009). Innovative social entrepreneurs are expected to concentrate on developing new services, or new ways of delivering existing services to the disadvantaged, implementing strategies to generate income and use new resources (Haugh 2005). As noted by Okpara and Halkias (2011), social entrepreneurs should be able to break new ground, develop new models and pioneer new products and make them available to those societies that did not previously have access to them (Drucker, 1985). Dees (1998), argues that an existing idea can also be applied to a new situation. However, Alvord et al (2004) contest that the replication of a service that contributes to a social difference may not necessarily consist of socially entrepreneurial behaviour. In developing nations, rather than creating technical innovations, social enterprises exercise social innovation. Social enterprises find innovative ways to acquire and mobilise resources, use market based approaches and create networks (Leadbeater, 2007). Technological innovation is implemented by discovering new applications of existing technology in different sectors (Peattie & Morley, 2008). Therefore, the lack of technological innovation may be a challenge for social enterprises.

Pro-active behavior seems relevant in SE as the rationale is to continuously find new methods of dealing with social issues. Entrepreneurial organizations must be bold and aggressive in pursuing opportunities and initiating actions (Covin & Slevin, 1991). In order for a social enterprise to be effective in creating social value, pro-activeness is necessary in developing services for unidentified number of people with unmet needs (Weerawardena & Mort, 2006). Many see entrepreneurial behavior as exploiting opportunities by taking risks (Ulhoi, 2005). This may be necessary for social entrepreneurs, to successfully exploit for opportunities. Arguably, the degree of risk-taking may differ between social and commercial entrepreneurs. Whilst commercial entrepreneurs are willing to undertake high risk projects with high returns (Covin & Slevin, 1991; Vecchio, 2003), social entrepreneurs are cautious in making resource commitments to embark on high risk initiatives. Social entrepreneurs therefore, display risk-management attributes rather than risk taking qualities (Weerawardane & Mort, 2006).

In pursuing their social missions to make a social impact, social enterprises must remain sustainable; hence survive (Weerawardane, McDonald & Mort, 2010). The turbulent economic environment and the changing funding world, force NPOs to face the ongoing challenge of sustainability. This issue is conspicuous in the developing world (Kariuki, 2010). Social enterprises focus on ensuring their sustainability rather than growth. However, increased uncertainty, lack of resources and stability make sustainability a challenge for social enterprises.

As noted earlier, the concept of SE is ambiguous as it is broad and not restricted to a specific field. SE falls under the diverse areas of business entrepreneurship, sociology and economics (Smith-Hunter, 2008). Earlier research centers on the characteristics of social entrepreneurs and how they differ from commercial entrepreneurs (Dees, 1998; Austin et al, 2006). Currently, a focus seems to be on successful case studies that facilitate societal transformation (Alvord et al, 2004; Bornstein, 2004; Doherty & Thomson, 2006). As a contribution the current literature, analyses of the following three social enterprise cases provide an insight into the importance of SE initiatives. The cases are based on organizations in India and Kenya

3. The Cases

3.1 Case A: Aravind Eye Care (India)

Aravind Eye Care was established in India and deals with the problem of avoidable blindness. Aravind performs surgery to rectify cataracts and its mission entails: "eradicating blindness through the offer of eye care in the best, appropriate and compassionate way, to all in need" (Aravind, n.d.). Aravid was established in 1976 by Dr. G. Venkataswamy, known amongst his colleagues as Dr. V. The Madurai Medical College had employed Dr. V. as an Ophthalmologist and during his period working for the government, he embarked on innovative programmes that address the problem of blindness in India. Upon his retirement, Dr. V identified an opportunity to contribute to the elimination of curable blindness. His view was that for a developing country, such as India, government could not solely meet the health needs of their growing population. Eye care was a problem for the poverty stricken Indian population, especially those who lived in rural areas with no hospitals. Assisted by friends and family, Dr V. established an 11 bed hospital managed by 4 medical officers. As the hospital derived income from both paying and non-paying patients, new buildings that accommodated 30, 100 and 200 beds, with 3 operating theatres were constructed in three consecutive years starting from 1977.

The organization has a hybrid structure as it focuses on both social and financial motives. It receives fees from patients who can afford payment of the services, government subsidies and NGOs donations which represent 10% of the budget (Ravilla, 2009). The surplus revenue is then used to cover costs for patients who cannot afford to pay for eye-care. The hospital grew up to five hospitals. Currently, Aravind has around 4,000 beds in these five eye hospitals and 33 primary care centres. It conducts outreach eye camps to screen and identify patients in need of services. Aravind also trains future staff, such as clinicians for eye care and administrators to manage eye hospitals. Over 300 high school girls are recruited each year and trained in all skill based routine tasks. This has resulted in high productivity, high quality and very low costs. Aravind focuses on an efficient service delivery system for its patients.

As noted by Ravilla (2009), continuous innovation is vital for Aravind to cope with the poor market conditions. The community is engaged in service delivery by finding a camping site where volunteers, the doctors and technicians conduct the eye tests and determine the required treatment. Patients are provided with prescription glasses at the campsite, if they need them and those who require surgery are counseled and transported to the hospital. In addressing an increase in the cost of technology, in 1992, Aravind established a manufacturing unit, Aurolab, to produce low cost lenses that substituted the imported more expensive intra-ocular lenses. Medical research is also carried out through Aurolab. Aravind later conducted a study that showed that only 7% of the patients who needed eye care were reached through the screening camps and those with rare eye conditions were not addressed. The organization then decided to do something different where a system was set up for patients to receive a comprehensive eye examination through tele-consultation with a doctor. Aravind ensures that they continue to grow the market by reaching the patients through increased awareness, influencing their health-seeking behaviour, creating access to eye care and community participation. Aravind success story is evident in their 2008-2009 financial year results, where they derived income of US22 million; Expenses (Depreciation) of US13 million; giving Earning Before Income Tax of 39%. Aravind's partners include The Lions Aravind Institute of Community Ophthalmology (LAICO), Aravind Medical Research Foundation and Aurolab. LAICO offers many hospitals consultancy services to learn and understand their system so as to apply in their hospitals.

3.2 Case B: Gram Vikas (India)

The origin of Gram Vikas is traced back to 1971 when students volunteered to help victims of a devastating cyclone in Orissa, Eastern India. This motivated, Joe Madiath, one of the volunteers, to later establish Gram Vikas to tackle the needs of the minority of the state, on alcoholism and debt within those communities. Gram Vikas later addressed other areas of rural development, including education, health care and sanitation, income generation and small-scale energy production through the development of biogas generators. Their mission entails: "To promote processes which are sustainable, socially inclusive and gender equitable, to enable critical masses of poor and marginalised rural people or communities to achieve a dignified quality of life" (Gram Vikas, 2007-2008; 2008-2009). Gram Vikas' mission had been achieved through the program called Movement and Action Network for the Transformation of Rural Areas (MANTRA), as Gram Vikas believes that people must live in peace with dignity. While the biogas program was successful, the managers did not address the problem of inequality in Orissa. Gram Vikas was established after a study on rural development problems which found that 80% of the morbidity and mortality in rural Orissa was a result of poor quality of drinking water, which was linked to unsanitary habits around human waste disposal.

MANTRA's main activity involves installing water and sanitation facilities in villages. The community is involved in the project. In addressing the problem of poor water and sanitation, Gram Vikas could simultaneously address the problems of poverty and social exclusion in rural Orissa. MANTRA also unites communities to overcome barriers of social exclusion and transforms hierarchical caste and gender based exclusion into equitable inclusion. Villagers join MANTRA only through an all or none scheme, where either 100% of the families join the program or no families join. To ensure the financial and operational stability of the water supply and sanitation installed, all families must participate in the scheme by contributing on average 1,000 rupees towards a corpus fund which goes towards maintenance costs and expansion of the water supply and sanitation system once it has been installed. The programme cycle may take between 3 and 5 years before Gram Vikas withdraws, hence thereafter, allows the community to take over the management, operation and maintenance of all systems. Gram Vikas undertakes a hybrid structure. Fees are collected from villagers for the maintenance of facilities. Gram Vikas heavily relies on external funding. Gram Vikas also networks with organizations within Orissa and elsewhere so as to share experiences that will assist them to implement similar systems in their areas. Recently, the Global Journal has recognized Gram Vikas as one of the top "100 Best NGOs" as an influential agent of change in shaping the lives of million people globally.

3.3 Case C: CARE Kenya (Kenya)

CARE Kenya is a chapter of the organization CARE International, which its mission is to "serve individuals and families in the poorest communities in the world" (CARE International, 2010). CARE Kenya operates the Rural Entrepreneurship and Agribusiness Promotion (REAP) project. CARE Kenya REAP Project (2001-2005) focuses on the participation of smallholder farmers in export markets and relies on grants for funding. Smallholder subsistence farmers are provided with training and inputs such as irrigation equipment and fertilizer. Kenya's rivers and water allows for all year round horticultural production for the domestic and export market. Although the smallholders contribute for over 60% of the produce, they continue to be marginalised. Around 90% of the horticultural produce in Kenya, such as tomatoes, sweet pepper, oranges, mangoes, Asian and other vegetables, are sold to the European Union (EU) and half of these go to the United Kingdom (UK). The EU consumers require good quality standards and dictates ethically and environmentally sound conditions for producing these products. The prepacking and labelling programs demanded by the UK also impacted on the horticulture sector. The inflexible international accreditation standards and codes of practice also threatened to increase the farmers' costs. Consequently, smallholder farmers suffered as exporters contracted from large farmers who could meet international standards and had more capital and technical expertise. This heavily affected the smallholders as they were unable to internationally compete with their large counterparts. Apart from this, the smallholders are faced with constraints such as limited capital, access to credit for inputs, expensive inputs, for example, chemicals and fertilizers, inadequate skills for modern growing and business techniques, lack of modern irrigation techniques and so on.

The REAP project's predominant objective is "to increase incomes of smallholders through commercial horticultural production and marketing opportunities on a sustainable basis" (Black and O'Brien, 2004). This broad objective was devised as a result of the difficulty of CARE Kenya obtaining external funding. In order to achieve this objective CARE Kenya implemented a consultancy known as the Central Management Unit (CMU), to help organise smallholder horticultural groups with fee based services in marketing, credit, inputs, extension and management. Overall, the CMU provides the smallholder farmers access to international markets by developing partnerships with private organizations. The CMU provides loans to farmers in order to lease plots of land. It also provides farming inputs and training for a fee. Thus, by using a market-driven approach, the CMU secured forward market contracts for farmer groups and use this income to secure services and inputs.

As discussed by Ewart (2005), the REAP project had successes and challenges. It demonstrated that poor farmers, organized as limited liability companies, could enter the supply chain, establish contracts with, and gain credit from, the private sector. However, REAP failed to be commercially viable as it was unable to choose the right clients and staff, or modify its bureaucratic systems to be more like a business and less like an NPO. The success of REAP was evident from the smallholder's perspective because it linked these subsistence farmers to the markets, hence increased their earnings. The CMU was never profitable. Donors subsidized their costs and the funding eventually finished. In order to continually provide services to the farmers, the CMU needed to be financially sustainable. CARE Kenya had also established contacts for smallholders to sell their produce, with privately owned horticulture exporters in Kenya. Some smallholders avoided work and there was occasional infighting. Contracts with exporters were not always fulfilled and farmers did not meet their targets. Some faced various barriers to being successful entrepreneurs. Competition became tight among exporters because of very little rise in prices, yet an increase in costs every year. Exporters began competing for the privilege of working with CARE Kenya on the REAP project and Vegpro Kenya Ltd, became REAP's biggest private-sector partner. Vegpro grows, processes and exports prepared and pre-packs vegetables and high quality roses to the UK and European supermarkets.

4. Methodology and Model

A comparative qualitative analysis of three social enterprises had been conducted to demonstrate how they apply entrepreneurial concepts in their programmes to create social value. The comparative analysis focuses on a variety of dimensions which include how these enterprises create social value by being proactive, innovative and manage risk. Their involvement with networks and partnerships is also vital in their social value creation. Analysis on the constraining factors, (the environment, social mission and sustainability), had also been explored. A case oriented approach allows for an in-depth analysis. We examined ten comprehensive social enterprises from different developing countries between March and December, 2010 and selected three for analysis. These were existing cases, based on social enterprises in Kenya and India. The cases were reviewed, re-written and updated, using the information from these organizations' Websites, annual reports and other relevant literature. Our interest in social entrepreneurship prompted us to focus on organizations from developing countries that are engaged in social value creation. The cases had to be obtained from reliable resources and comprehensive enough for the researchers to analyse their strategic history.

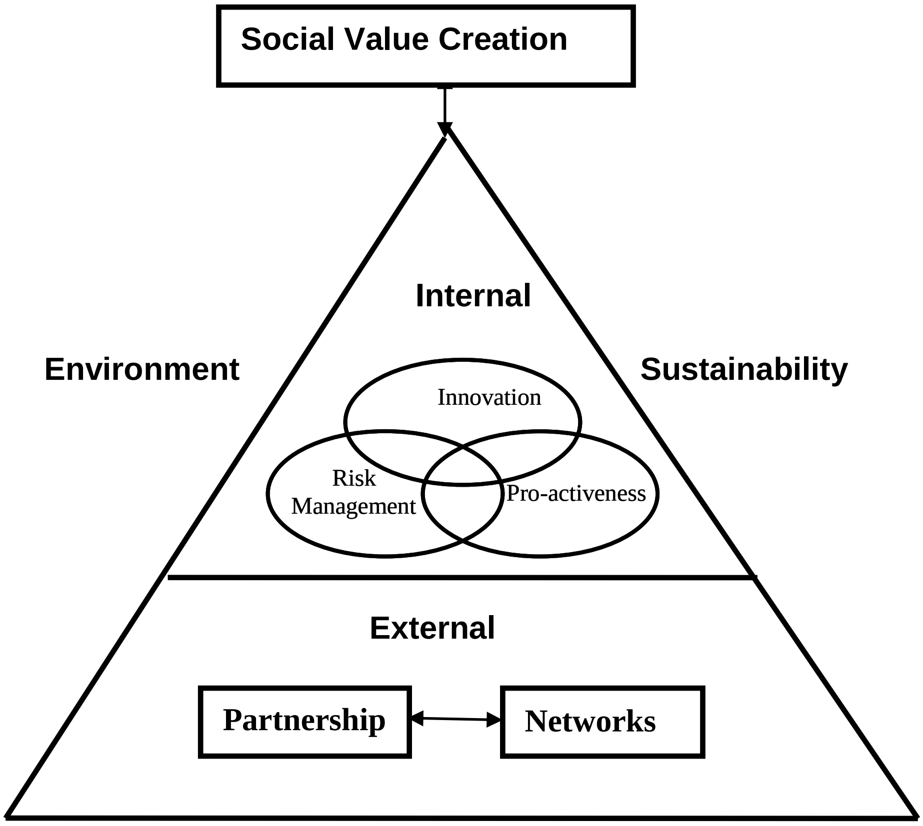
This study adapted Weerawardena and Mort (2006) multi-dimensional model as its elements are supported by the literature. We extended the Weerawardena and Mort's model with private networks and partnerships dimensions. The multi-dimensional model suggests that social value creation is a result of the function of innovation, pro-activeness and risk management. These behavioural aspects are internal to a social enterprise and are constrained by and respond to the environment, sustainability and an organization's social mission. A review of the literature relevant to these social enterprises identified that successful networks and partnerships also have a direct impact on social value creation (see Figure 1 below).

Weerawardena and Mort's model do not include opportunity seeking behaviour as a separate dimension because this behaviour goes hand in hand with the organizations' need for sustainability, hence rooted in the sustainability dimension. However, on one hand, the other three dimensions (innovation, pro-activeness and risk-management) are internal to a social enterprise and constrained by the organization's need to achieve sustainability, thus making the exclusion of opportunity seeking behaviour questionable. On the other hand, opportunity seeking can also be embedded in the innovation dimension as prior to exploiting opportunities through innovation; identification of these opportunities is vital (Diochon and Anderson, 2009). Again, we built on this model and see successful networks and partnerships to play an important role in social value creation. The social enterprise's networks and partnerships are external to a social enterprise and are also constrained by the need for sustainability, the social mission and the environment (see figure 1 below).

There are a number of organizations in developing countries that attempt to address the problem of poverty through social value creation dimensions. These enterprises focus on innovative initiatives that incorporates market based approaches, which enable sustainability. Notably, these projects may either succeed or fail.

We analyze the three cases with a focus on the following questions: 1) Did the organizations display innovative, risk-management and pro-active behavior to create social value? 2) Did these organizations respond to and/or were they constrained by the environment, the need for sustainability and their social mission? 3) Did these organizations build successful networks and partnerships to create social value?

Figure 1: Proposed multidimensional model of social entrepreneurship



Source: Adapted from Weerawardena and Mort (2006, p32)

5. Findings

5.1 Social Mission

Irrespective of the varying goals, the social mission is central to all these three organizations. These enterprises' main long term goals are the achievement of their social mission (see Table 5.1). This is in agreement with Weerawardena and Mort

(2006), that the key strategies and allocation of funds indicate the main purpose of the organization. Aravind's success, in conducting free surgeries in rural areas demonstrates that the organization has not been solely influenced by its financial goals, but has instead used them to attain its social mission. For example, in 2006, Aravind Eye Care treated 65 per cent of its patients for free. Their costs were covered from the revenue derived from the other 35 per cent of the patients (Dias, 2006).

Gram Vikas's social mission changed several times. Thus, establishing the right social mission will have an impact on creating social value where it is needed most. Gram Vikas was originally formed to meet the needs of tribal minorities of the state of Orissa, to deal with issues of debt and alcoholism within those communities. Subsequently, it became involved in a successful programme that met small scale energy needs through the development of biogas generators. Despite this success, Gram Vikas's directors did not feel the organization addressed inequality or the needs of the extreme poor. The organization, therefore, researched rural development problems and redeveloped their social mission to tackle these issues. Gram Vikas's revised social mission is: "MANTRA unites communities to overcome barriers of social exclusion; water and sanitation, as an entry point activity in new settlements, is not only a vehicle for improved health, but also a way of transforming hierarchical caste and gender based exclusion into equitable inclusion" (Gram Vikas, 2008). The organization drifted away from its previous social mission as it converted the biogas programmes into numerous small companies (Chowdry & Santos, 2010). This contradicts Weerawardena & Mort (2006) view, that an organization is constrained by its social mission. Gram Vikas found a way of detaching itself from its previous social mission, but still ensured that other organizations continued with it. Consequently, the social organization developed and focused on its current social mission.

CARE International's mission is to "serve individuals and families in the poorest communities in the world" (CARE International, 2010). This mission is broad, hence can be achieved in various ways. The broad mission would make it difficult for this organization to be constrained by it. For instance, Kenya's initial activities dealt with small scale projects, such as building schools. However, the organization later focused on large scale projects which involved the development of agricultural irrigation systems (Ewart, 2005). Overall, the social mission gives an indication of what the organization is aiming to achieve. While the organization's activities are undertaken to fulfill the mission, it is not evident that any of these organizations are constrained by their respective missions. This is probably due to a need to diversify their operations in order to achieve sustainability.

5.2 Opportunity Identification and Innovation

A crucial aspect of innovation is the prior step of identifying an opportunity (Diochon & Anderson, 2009). The three enterprises were created because of unmet needs in the community, which they identified as "untouched gap in the market" (Seelos & Mair, 2005). These became opportunities, which they took advantage of by developing innovative programmes. India has hygiene problems and the rural areas also experience social inequality in gender bias and the caste system (Chowdry & Santos, 2010). Gram Vikas responded to hygiene problems through the MANTRA programme. India also has a significant number of people with reversible blindness, but untreated due to poverty and living in rural areas, with no access to resources. Aravind Eye Care then established eye camps and hospitals for the poor. Similarly, most of the rural poor in Kenya were smallholder farmers with poor infrastructure and resource access (Ewart, 2005). CARE Kenya assisted them with the resources, training and infrastructure.

All the three cases display innovative behaviors that create social value (Weerawardena and Mort, 2006). Both their technological and social innovation activities have proven to be vital in achieving their respective social missions. Their technological innovation confirmed a need for a lower cost alternative to the existing technology and products in the relevant sector. Gram Vikas installed low cost water and sanitation facilities in the areas where they had previously never been used. Aravind Eye Care developed low cost lenses and used appropriate technology in the surgeries. The hospital also integrated information and communication technologies (ICT) to create awareness about eye camps and to enable mobile vans to go into interior rural areas to conduct eye check with the help of tele-ophthalmology (Subrahmanyan & Gomez-Arias, 2008). Care Kenya used affordable irrigation equipment. These organizations ensured that these services were delivered to the beneficiaries to create social value.

In using market based approaches as NPOs (Leadbeater, 2007), all three organizations exercised social innovation by charging a fee for their services. Notably, applying market based approaches does not always lead to success in the creation of social value, as demonstrated by CARE Kenya (see the next section on sustainability). In addition to using market based approaches, Gram Vikas and Aravind Eye Care were innovative in other ways. For example, Gram Vikas's social innovation involves implementing a unique approach through the programme MANTRA. The programme has two key conditions. The first involves an "all or none" scheme. Thus, all or none of all the families in the community will join the programme, allowing all sectors of the community to be involved, irrespective of gender or caste (Chowdry & Santos, 2010). Social value is, therefore, created through equitable inclusion. Thus, the immediate goal of delivering water and sanitation infrastructure is achieved with the long term social mission of promoting social inclusion. The second is a mandatory monetary contribution of an average thousand Indian Rupees to a corpus fund by all families. The money is then invested in the banks for a fixed period. The principal is used within the village only when there are emergencies, such as serious cyclone damage. The accrued interest is used to finance the construction of toilets for new households in the village and maintenance costs of installed water supply facilities (Chowdry & Santos, 2010). Consequently, social value is created by ensuring the self-sufficiency of the beneficiaries.

Aravind Eye Care's innovative system of conducting surgeries and training personnel led to increased efficiency. Surgeries are conducted using "serial production model", which allows surgeons to continue from one operation to another with minimum breaks, thus encouraging productivity (Rangan and Thulasiraj, 2007). Training physicians and mid-level personnel are specialized in a narrow scope of activities, such as a specific eye problem. The standardization of the process enables a large number of patients with the same ailment to be treated with more effective and specific procedures. Thus through deskilling, this allows for greater supply of the service at a lower cost, hence providing these services to the poor (Mendoza & Thelen, 2008).

5.3 Sustainability

Although all the three organizations receive fees for their services to cover costs incurred, only Aravind Eye Care has managed to realize a financial surplus and become financially self-reliant. The other two organizations heavily rely on external funding. This has impacted on the sustainability of the organization, because a social enterprise's sustainability depends on its financial viability (Wallace, 2005). Aravind Eye Care's financial feasibility is ensured from cash inflows from paying patients. The cost savings is achieved through increased efficiency. Due to their financial security, Aravind focused on growing their enterprise by increasing the number of patients their services reach to and capital investment. For example, Aravind started off with eleven beds in 1976 and by 2008, it had 3,950 beds at five hospitals. The hospitals examine more than two million patients annually. Thus, the need for sustainability did not constrain Aravind, as their focus was growth over the years. Growth is necessary for Aravind Eye Care to realize its social mission. Again, to eradicate reversible blindness, they ensured their services reached the maximum number of patients. Aravind moved beyond the need for sustainability to quality service and growth.

CARE Kenya's market based model was successful as the farmers financially sustained themselves to rise out of poverty. However, CMU failed to ensure financial viability due to loose lending policies which led to over-lending and inability of clients to repay their loans. CMU's debts were covered by CARE International through donor funds. CMU has since been shut down and CARE Kenya is now responsible for farmers under the REAP programme (Ewart, 2005). This then raises the question: would the situation have been different, had the CMU identified the need of ensuring sustainability as a potential constraint? This situation re-enforces Weerawardena & Mort's (2006) notion, that the concept of opportunity identification should be rooted in sustainability. Although CMU identified the opportunity of providing loans to farmers using a market based approach, it should have identified whether it was a sustainable option by determining its financial feasibility. Additionally, as CARE Kenya took responsibility for the REAP programme, the reduction in donor funding led to fewer farmers benefiting from the programme. The farmers' productivity was low and they were unable to meet market expectations, as they lacked access to finance.

Despite being heavily funded by donors, Gram Vikas has a significant social impact on the rural areas. Gram Vikas started off with implementing its programme in a single village, and expanded it to other villages and states. However, in some instances the organization could not pursue activities due to lack of financial viability. For example, in 2008, they could not expand their activities to the extent they had envisioned. They could not attract staff to work in isolated areas by paying them higher remuneration, as the organization was not financially feasible (Gram Vikas, 2009). Gram Vikas and CARE Kenya confirm Weerawardena & Mort (2006) view that social value creation by social enterprises can be constrained by the need to ensure sustainability. The failure of CMU demonstrates the need of social enterprises to respond to this constraint for survival. Aravind Eye Care does not display any constraint in achieving its social mission to sustain itself as it is financially self-reliant and does not rely on external funding. Aravind Eye Care is capable of being growth oriented than sustainability focused. As supported by the literature (Dees, 1998), the use of market based approaches promote self-sufficiency, thereby putting less pressure on an organization's sustainability. A social enterprise that is not financially self-reliant needs to be more cautious in its actions to ensure sustainability than a financially self-reliant enterprise. Overall, of the three cases, only Aravind was not constrained by the need to ensure sustainability.

5.4 The Environment

The cultural environment was shown by the locals' habits and attitudes, which could be a constraint. Both Aravind Eye Care and Gram Vikas's beneficiaries were initially reluctant to participate in the programmes offered. The rural population had the mindset that hospitals were only for the rich (Imranullah, 2005) and they were not habituated to hygienic practices (Neather, 2008). However, both organizations invested a lot of time and resources in attitudinal change through education, hence creating social value in these regions. Failure to invest resources in changing the attitudes of the locals could have a negative impact as demonstrated by Care Kenya. The farmers participating in the REAP project would skip work or argue amongst themselves due to accustomed attitudes (Ewart, 2005). Their unprofessionalism limited the social value created as it had a negative impact on productivity and contracts with private exporters. In order to overcome this constraint, Care Kenya spent time and resources in attitudinal and work ethics change by educating beneficiaries.

The political environmental context is vital for Gram Vikas due to considerable government support and partnership with government schemes. Of the three organizations, Gram Vikas is the most heavily supported by government. CARE Kenya is largely funded by international donors, whereas Aravind Eye Care is largely self-funded. In the year 2007-2008, the Indian government provided Gram Vikas 30 per cent of its funding, which was second only to international donors that provided 40 per cent (Gram Vikas, 2008). Clearly, this relationship can be a constraint on the desired social value, due to the increased uncertainty of funds, as noted by Weerawardane and Mort (2006). For example, in 2003, Gram Vikas chose to leverage government grants for rural water supply. However, the funds were not released in time, causing a delay in water provision. The political environment is, therefore, likely to have a direct impact on the organization's ability to create social value. Moreover, government would like to see short term results from their input, whereas Gram Vikas is focused on achieving long term goals of social inclusion and mobilising communities. The inflexibility of how the funds are used may result in the social value not being generated where it is needed most. Overall, all the three case organizations responded to the unmet needs in the environment.

5.5 Pro-activeness

The growth experienced by both Gram Vikas and Aravind Eye Care is seen as a result of the organizations' pro-active behavior as they relentlessly pursued opportunities and initiation of action (Covin & Slevin 1991; Dees 1998). Since the establishment of Aravind Eye Care, yearly, the organization increased the number of beds to boost the capacity. The organization was pro-active in ensuring its services reached the maximum number of patients as it developed hospitals in rural areas. Aravind also conducts yearly camps in rural areas, demonstrating constant action. Moreover, despite having the appropriate, yet moderate level of ICT technology, it is in continuous pursuit of the right technology to connect all five hospitals to the eye camps (Bhandari, Dratler, Raube, & Thulasiraj, 2008). Doctors in the hospitals would then connect with patients in remote areas.

In dedication to persistent action, Gram Vikas applies a model that ensures self-reliance. They work with a village for about three to five years until the project becomes self-sustainable and continue working with other villages. CARE Kenya's case shows that after the failure of CMU, they needed to display pro-activeness in finding innovative ways to continue helping the farmers involved in the REAP project. The REAP project's manager acknowledges the need for an assiduous search for solutions to the current challenges faced by the project. This confirms Weerawardena & Mort (2006) view that pro-active behavior is necessary to survive (CARE Kenya) and grow (Gram Vikas and Aravind Eye Care). Overall, only Aravind Eye Care and Gram Vikas were pro-active in social value creation.

5.6 Risk Management

Risk taking involves pursuing opportunities without regard to current resources (Stevenson & Jarillo, 1990). Thus CMU took risk as they provided loans, despite not being financially self-reliant. A significant risk was taken in hope of receiving a greater return. However, the risk taking behavior did not work for CMU as it failed to stay financially feasible. This highlights the need for social enterprises to have cautious attitude towards risk and undertake an in-depth assessment, before making any resource agreements (Weerawaardena & Mort, 2006). While being cautious is necessary to ensure survival, this attitude should not inhibit growth. As mentioned before, Gram Vikas and Aravind Eye Care have been successful in growing their initiatives. These organizations may have undertaken risks to achieve this growth. However, there is no specific reference to the organizations' approach to risk in the literature. Thus, based on CARE Kenya, Weerawardena and Mort (2006) view is that risks and caution should be managed effectively. Overall, none of the organizations displayed risk management behavior. Although CARE Kenya is the only risk-taker, it does not seem to manage risk.

5.7 Networks and Partnerships

In implementing their respective innovations, the three social enterprises were required to build successful partnerships with other organizations. Aravind Eye Care established an NPO known as Aurolab, to produce low cost ophthalmology products and lenses. Aurolab is funded by Seva Foundation and Sight Savers International. In return for the financial support, Aravind Eye Care gives these foundations lenses at subsidised prices. Similarly, in order for Gram Vikas to install water and sanitation facilities through the MANTRA programme in other villages and states, it had to establish partnerships with other organizations in those villages or states. CARE Kenya's REAP programme farmers had access to the international markets through the private horticulture company, Vegpro. The organization established contracts with REAP farmers, which obligated Vegpro to sell their output to the international markets.

Clearly, the development and maintenance of these partnerships has capacity to directly impact on the social value generated. For example, when Gram Vikas develops partnership with other organizations, it would probably have to somehow compromise with other organizations, to ensure that its social mission is still achieved. In addition to partnership with other organizations, the network structure of the organization, particularly those that are related to donors, is influential on the organizations' ability to create social value. Alvord et al (2004) classify donors, partners, government contacts and stakeholders as the networks' structure of the organization. This construct is the social capital of the organization. CARE Kenya's chief concern was the increased difficulty it experienced in obtaining external funds. In agreement with Dees (1998) and Leadbeater (2007), this prompted CARE Kenya to undertake a market based approach. The failure of the market based method, limited the social value the organization created. Gram Vikas has been successful in securing funds from international donors and the local government, continuously, for thirty years (Chowdry and Santos, 2010), hence focused its efforts on scaling the impact of its programme by extending it to other villages.

6. Conclusion

This study assessed how social enterprises in developing countries create social value through innovation, risk management and proactive behaviour. Additionally, the research identified if these social enterprises were constrained by their social missions, the environment and the need for sustainability in this process. The analysed cases provide some significant lessons and insights on how to foster entrepreneurial culture that aims at fighting the problems that create poverty and social exclusion, contributing to the body of knowledge. Supported by the literature (Weerawardena & Mort, 2006; Dees, 1998; Diochon & Anderson, 2009), the cases mostly displayed elements of social value creation. Innovative entrepreneurial approaches that offer products and services that cater for the social needs of the poor are inevitable. Evidently, innovation is exercised by Gram Vikas' Mantra programme and the number of villages the programme reached. Partaking in the job creation and sustainable growth is vital as shown by Aravind Eye Care that employed and trained personnel in eye surgery. Additionally, whilst it is equitable to provide free services to the poor, payment for these services by those who can afford is worthy for the social enterprise's sustainability. Community involvement (for example, organising eye camps by the local community) in the service delivery shows that at grass-roots level, local people are knowledgeable about their surroundings and are capable of taking action; hence assist in developing strategies that respond to social problems. Pro-active and risk-management behaviour is important in SE. The loose lending policy by CMU was a risk-taking approach, rather than a risk management measure, which led to its failure, contradicting Weerawardena & Mort (2006). Whilst a social mission is central to a social enterprise, flexibility is important to take advantage of social value creation opportunities. Evidently, Gram Vikas was not constrained by their social mission as their mission changed several times. Again, as the market creates barriers for the poor to generate employment for them, social enterprises can attempt to address this through creating networks and partnerships. For example, Care Kenya's REAP programme established partnership with Vegpro to sell their output to the international markets.

The use of evidence from other studies, which could have been outdated, is the limitation of this study. Interviewing managers of these social enterprises could have enhanced it. Despite this, the findings of this research are important for developing countries' policy makers in assisting social entrepreneurs to address societal problems, articulated by the MDGs and in sustainability attainment. Developed countries should benefit from findings and recommendations of this study in recognising a need to help social entrepreneurs in dealing with poverty. Developing countries' governments need to devise policies that encourage the partnership of government schemes (e.g. funding and local know-how) and social enterprises. Governments may construct strategies which involve contributing grants in the sector where these funds are needed most, allowing for the promotion of SE in that segment. For instance, in Kenya, the agricultural sector contributes to approximately 25 per cent of the Gross Domestic Product (Alila & Atieno, 2006). Furthermore, most of the rural poor are smallholder farmers who need subsidies. Finally, governments should formulate programs that would reward innovation and encourage entrepreneurship by providing business-skills training to NPOs and/or social enterprises. This will foster growth of social enterprises.

References

Alila, PO and Atieno, R 2006. Agricultural Policy in Kenya: Issues and Processes. A paper for the future Agriculture Consortium Workshop, Institute of Development Studies, 20-22 March, 2006, viewed 28 March 2012, <http://www.dfid.gov.uk>.

Alvord, SH, Brown, LD and Letts, CW 2004. 'Social Entrepreneurship and Societal Transformation'. *The Journal of Applied Behavioral Science, Vol.40, No. 3, pp.262-282.*

Aravind (n.d.), *About Aravind – Aravind Care Systems*, viewed 18 April 2013 <http://www.aravind.org/vanakkam/aboutaravind.aspx >.

Austin, J Stevenson, H and Wei-Skillern, J 2006. 'Social and Commercial Entrepreneurship: Same, Different, or Both?' *Entrepreneurship Theory &* Practice, *Vol.30, No. 1, pp.1-22.*

Bhandari, A, Dratler, S, Raube, K and Thulasiraj, R 2008. 'Specialty Care Systems: A Pioneering Vision for Global Health', *Health Affairs*, *Vol.27, No. 4, pp.964-976*.

Black, L and O'Brien, D 2004. From Community Project to Commercial Venture: The Case of REAP Kenya. A presentation on Agribusiness Models and Innovation of Private Sector Linkages, October, 2004, viewed 18 March 2012, http://www.authorstream.com

Bornstein, D 2004. *How to Change the World: Social Entrepreneurs and the Power of New Ideas.* Oxford: Oxford University Press.

CARE International 2010. *About Care*, CARE International. Viewed 28 September 2010, <http://www.care-international.org/About-Care>.

Chowdury, I and Santos, FM 2010. Scaling Social Innovations: The Case of Gram Vikas, INSEAD Working Paper No. 2010/10/EFE/INSEAD Social Innovation Centre/ICE, viewed 14 August 2010, <http://www.insead.edu>.

Covin, JG and Slevin, DP 1991, ‘A Conceptual Model of Entrepreneurship as Firm Behaviour’. *Entrepreneurship Theory & Practice*,*Vol. 16, No. 1, pp.7-25*.

Dees, JG 1998, ‘Enterprising Nonprofits: What Do you Do When Traditional Sources of Funding Fall Short?’ *Harvard Business Review*, *Vol. 76, No. 1, pp54-67*.

Dias, AJ 2006, *Aravind Eye Care System*. Case study Ref no. 806-019-1. Viewed 1 September , 2010, <http://www.ecch.com>.

Diochon, M and Anderson, A 2009, ‘Social Enterprise and Effectiveness: A Process Typology’. *Social Enterprise Journal*, *Vol. 5, No. 1, pp.7-29.*

Doherty, B. and Thompson, J 2006, ‘The Diverse World of Social Enterprise: A Collection of Social Enterprise Stories’. *International Journal of Social Economics*, *Vol. 33, pp. 361-364.*

Drucker, PF 1985, ‘The Entrepreneurial Society’. *Industry Week*, *Vol.224, No.4, pp.52-55.*

Ewart, T 2005, *CARE Kenya: Making Social Enterprise Sustainable*. Case Study Ref no. B05M056. Richard Ivey School of Business.

Gram Vikas 2008, *Annual Report 2007-2008*. Gram Vikas. viewed 28 September 2010, http://www.gramvikas.org.

Gram Vikas 2009, *A Dignified Solution: Celebrating 30 Years of Rural Development: Annual Report 2008-2009*, viewed 28 September 2010, <http://gramvikas.org/uploads/file/Annual%20Report%202008-2009.pdf>

Haugh, H 2005, ‘A Research Agenda for Social Entrepreneurship?’ *Social Enterprise Journal*, *Vol.2, pp.346–57.*

Imranullah, SM 2005, ‘Affordable Eye Care Makes People Give Ambasamuthiram Second Look’. *The Hindu*, p.1, viewed 11 September 2010, <http://www.proquest.com>.

Kariuki, P 2010, ‘Non-profit Organizations Need to Generate Own Wealth’. *The Mercury,* p.6. viewed 13 September 2010, <http://www.proquest.com>.

Leadbeater, C 1997, *The Rise of the Social Entrepreneur.* London: Demos.

Mair, J and Marti, I 2006, ‘Social Entrepreneurship Research: A Source of Explanation, Prediction and Delight’. *Journal of World Business*, *Vol 42, No. 2, pp.36-44.*

Mendoza, RU and Thelen, N. 2008,’ Innovations to Make Markets More Inclusive for the Poor’. *Development Policy Review*, *Vol. 26, No.4, pp.427-458.*

Mehta, S and Kalra, M 2006, ‘Information and Communication Technologies: A Bridge for Social Equity and Sustainable Development in India’. *The International Information & Library Review*, *Vol. 38, No. 3, pp.147-160.*

Munoz, SA 2009, ‘Towards a Geographical Research Agenda for Social Enterprise’. *Area*, *Vol.42, No. 3, pp.302-312.*

Naude, W 2010, *Promoting Entrepreneurship in Developing Countries: Policy Challenges.* Policy Brief no. 4, United Nations University, viewed 14 August 2010, <http://www.unu.edu>.

Neather, A 2008, ‘When Death and Disease Really are the Bottom Line’. *Evening Standard*, *p.46*, viewed 11 September 2010, <http://www.proquest.com>.

Nielsen, C and Samia, P 2008, ‘Understanding Key Factors in Social Enterprise Development of the BOP: A Systems Approach Applied to Case Studies in the Philippines’. *Journal of Consumer Marketing*, *Vol. 25, No. 7, pp.446-454.*

Okpara, JO and Halkias, D 2011, ‘Social Entrepreneurship: An Overview of its Theoretical Evolution and Proposed Research Model’, *Int. J. Social Entrepreneurship and Innovation Vo1. 2, No. 2, pp.4-20*.

Peattie, K and Morley, A 2008), ‘ Eight Paradoxes of the Social Enterprise Agenda’. *Social Enterprise Journal*, *Vol.4, No.2, pp.91-107.*

Ravilla, T 2009, How low-cost eye care can be world-class. Video, viewed 14 August 2010 <http://www.ted.com/talks/thulasiraj_ravilla_how_low_cost_eye_care_can_be world_class.html>

Rangan, VK and Thulasiraj, RD 2007, ‘Making Sight Affordable (Innovations Case Narrative: The Aravind Eye Care System)’, *Innovations: Technology, Governance, Globalization, MIT Press, Vol. 2 No. 4, pp.35-49, October.*

Roy, Aand Roy, M 2010, Managing and Leveraging Poverty: Implications for Teaching International Business. *Journal of Teaching in International Business, Vol.21, No.1, pp.4-26.*

Seelos, C and Mair, J 2005, ‘Social Entrepreneurship: Creating New Business Models to Serve the Poor’. *Business Horizons*, 48, 241-246

Smith-Hunter, AE 2008, ‘Toward A Multidimensional Model of Social Entrepreneurship: Definitions, Clarifications, and Theoretical Perspectives’. *Journal of Business and Economics Research*, *Vol.6, No.6, pp. 93-112*.

Subrahmanyan, S and Gomez-Arias. JT 2008, ‘Integrated Approach to Understanding Consumer Behavior at Bottom of Pyramid’. *The Journal of Consumer Marketing, Vol.25, No. 7, pp. 402-412.*

United Nations General Assembly 2000, *United Nations Millennium Declaration*. Ref no. A/Res/55/2, viewed 25 June 2010 <http://www.un.org/millennium/declaration/ares552e.pd>f.

Wallace, B 2005, ‘Exploring the Meaning(s) of Sustainability for Community Based Social Entrepreneurs’. *Social Enterprise Journal*, *Vol.1, No.1, pp.78-89.*

Weerawardena, J and Mort, GS 2006, ‘Investigating Social Entrepreneurship: A Multidimensional Mode’l. *Journal of World Business*, *Vol. 48, No.1, pp. 21-35.*

Weerawardena, J, Mcdonald, RE and Mort, GS 2010, ‘Sustainability of Nonprofit Organizations: An empirical investigation’. *Journal of World Business*, Vol, 45, No. 5, pp. 346–356.

Zahra, SA, Gedajlovic, E, Neubaum, DO, and Shulman, JM 2009, ‘A topology of social entrepreneurs: Motives, search processes and ethical challenges’. *Journal of Business Venturing, Vol.24, pp.591-532.*