

On Exploration of Barriers Affecting Social Enterprise Growth and studying the Interrelationship amongst them using ISM Methodology

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ABSTRACT

Present research article deals with exploring various barriers to social enterprise growth and then it further explores the interrelationship amongst them using ISM methodology.

Keywords

Social enterprise; Entrepreneurship; Not-for-profit organizations

1. INTRODUCTION

Social enterprises can adopt for-profit, not-for-profit, non-profit, or one of the newer legal forms such as the low-profit limited liability company (L3Cs) in the United States (US) or the community interest company (CICs) in the United Kingdom (UK) [2,24]. This choice of organizational form has been related to industry – for instance, for-profit social enterprises are more likely to be established in sectors where commercial organizations traditionally dominate [26]. Structurally, social enterprises either combine for-profit and non-profit activities within one organization (integration), or separate activities designed to achieve commercial and social mission (separation) [3].

The emergence of social enterprise as a distinct field of research provides a frame for investigating barriers to growth beyond economic impediments [3,9,11]. Social enterprises are distinguishable from commercial ventures by the explicit mission to create economic and societal value [6,7,13]. Growth is therefore more complex than in commercial ventures since it concerns improving commercial performance and societal impact [19].

However, investigating social enterprise barriers to growth is however hindered by two constraints. First, much of the current social enterprise literature has adopted a positive management frame in which advantageous values, virtues and impacts are proselytized.

Present paper is organised as follows: Section 2 presents the review of the major barriers in the growth of social enterprise.

Thereafter section 3 presents the ISM methodology and section 4 presents the case example.

2. LITERATURE REVIEW ON LIST OF BARRIERS

The small number of critical studies that have recently been published have exposed that social enterprises face high barriers to entry into markets [27], resource deficits [3]. Second, scholarly interest in social enterprise to date has focused on defining this relatively new field of research, and explored social enterprise survival rather than growth [18,20]. Further, [3,4] explored the implication of structural

separation and identified that organizations which integrated societal and economic objectives would face fewer issues concerning the relative prioritization of economic and societal missions. [27] advance this further and suggest that integration leads to less mission-drift in which commercial mission dominates societal value creation. Further, social enterprises may try to accommodate multiple aspects of value creation directly, indirectly or with partners [29].

In this section, an exploration has been made in the field of social enterprise growth so as to enumerate various barriers in the related field. Some typical barriers to social enterprise growth can be gleaned from previous studies. These are:

2.1. Difficult Entry to Market [DEM]

[21] Proposes a series of barriers to entry into markets which prevent social enterprises from taking advantage of market opportunities.

2.2. Economic Barriers [EB]

This includes economic barriers such as cost advantages for extant ventures.

2.3. Social Barriers [SB]

This includes limited access to extant networks.

2.4. Institutional Barriers [IB]

This includes not knowing or being able to accommodate extant norms.

2.5. Cultural Barriers [CB]

This includes **not being able to align with market attitudes, beliefs and expectations.**

2.6. Low Public Awareness [LPA]

External barriers to growth include low public awareness of social enterprise [17, 19].

2.7. Difficulties in Accessing Finance [DAF]

As per [19, 29], difficulties in accessing finance is another important barrier to the growth of social enterprise.

2.8. Lack of Personnel [LoP]

Internal barriers include lack of personnel with commercial acumen (European Commission, 2015; Lyon and Sepulveda, 2012).

2.9. Lack of Motivation [LoM]

A narrow initial motivation for starting the enterprise [15-17] is an important barrier.

2.10. Scarcity of Viable Business Models [SVBM]

Scarcity of viable business models that successfully combine dual mission achievement [5, 15-16].

2.11. Values Based Barriers [VBB]

An ethical values difference describes how conflicts between the ethical values of the informants and those of other stakeholders impede social enterprise growth.

2.12. Business Model based Barriers [BMBB]

Across all the case studies, challenges such as personal savings, friends, crowdfunding, and community loans were first order code lack of funding for social enterprise growth refers to the post start-up difficulties associated with securing funds to finance commercial expansion and scaling social impact.

2.13. Network based recruitment [NBR]

Network based recruitment also constituted a barrier to growth if skills in the network uses shortcomings to recruit employees, volunteers and trustees. Such shortcomings include the heavy burden of the management of too many founders and not enough employees, disagreements over future strategic direction, and the resource constraint of employing specific required skills when the organizational headcount is already high.

2.14. Traditional Business Norms [TBN]

Despite the increase in the population of social enterprises, and international media coverage of prominent social enterprises such as The Big Issue and Grameen Bank, there are challenges reported which are arising from the relative newness of social enterprise when compared to commercial entrepreneurship.

2.15. Low Investor Awareness of Social Enterprise [LIA]

This describes how a lack of investor knowledge about social enterprise made it difficult to raise investment capital as discussed above.

2.16. Conservative lending policies [CLP]

Similarly, describes how banking norms of conservatism and risk aversion made it difficult for social enterprises to raise

finance from institutions such as high street banks.

3. INTERPRETIVE STRUCTURAL MODELLING METHODOLOGY

Suggested by Warfield [17], ISM works with the following steps: It starts with identifying the relevant elements and pair-wise establishing the contextual relationship amongst them. Thereafter, a structural self-interaction matrix (SSIM) may be developed between two variables i.e. *i* and *j* establishing a “Lead to” relationship between criteria. Four symbols viz. V, A, X & O are used for establishing the relationships. After that, a level partition matrix can be obtained based on establishing the precedence relationships and arranging the elements in a topological order. A *Mic-Mac* analysis is performed categorizing the variables in to autonomous, dependent, driver and linkage category. Finally, a diagram can be obtained.

4. CASE EXAMPLE

The sixteen barriers identified in section 2 has been further studied for the possible inter-relationship amongst them using ISM methodology. These are Difficult entry to market [DEM]; Economic barriers [EB]; Social barriers [SB]; Institutional barriers [IB]; Cultural barriers [CB]; Low Public Awareness [LPA]; Difficulties in accessing finance [DAF]; Lack of personnel [LoP]; Lack of Motivation [LoM]; Scarcity of viable business models [SVBM]; Values Based Barriers [VBB]; Business Model Based Barriers [BMBB]; Network based recruitment [NBR]; Traditional Business Norms [TBN]; Low investor awareness of social enterprise [LIA]; Conservative lending policies [CLP].

4.1. Construction of Structural self-interaction Matrix (SSIM)

This matrix gives the pair-wise relationship between two variables i.e. *i* and *j* based on VAXO. SSIM has been presented below in Fig 1.

4.2. Construction of Initial Reachability Matrix and final Reachability Matrix

The SSIM has been converted in to a binary matrix called the initial reachability matrix shown in fig. 2 by substituting V, A, X, O by 1 or 0 as per the case. After incorporating the transitivity, the final reachability matrix is shown below in the Fig 3.

Fig 1: SSIM matrix for pair wise relationship amongst barriers

S. No	Barrier s	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
		DE M	E B	S B	I B	C B	LP A	DA F	Lo P	Lo M	SVB M	VB B	BMB B	NB R	TB N	LI A	CL P
1	DEM		X	A	A	A	X	A	A	A	A	A	A	A	A	A	A
2	EB			A	V	A	V	V	V	V	A	V	X	V	A	A	A
3	SB				V	V	V	V	V	V	V	V	V	V	V	V	V
4	IB					V	V	V	V	V	V	V	V	V	A	A	A
5	CB						V	V	V	V	V	V	V	V	V	V	V
6	LPA							V	V	V	V	V	V	V	V	V	V
7	DAF								V	V	A	A	A	A	A	A	A
8	LoP									A	A	A	A	A	A	A	A
9	LoM										A	A	A	A	A	A	A

10	SVBM												A	A	V	A	A	A
11	VBB												X	V	A	V	V	
12	BMBB												V	A	A	A		
13	NBR													A	A	A		
14	TBN														A	A		
15	LIA																A	
16	CLP																	

Fig 2: Initial reachability matrix

S. No	Barrier s	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
		DE M	E B	S B	I B	C B	LP A	DA F	Lo P	Lo M	SVB M	VB B	BMB B	NB R	TB N	LI A	CL P
1	DEM	1	1	0	0	0	1	0	0	0	0	0	0	0	0	0	0
2	EB	1	1	0	1	0	1	1	1	1	0	1	1	1	0	0	0
3	SB	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
4	IB	1	0	0	1	1	1	1	1	1	1	1	1	1	0	0	0
5	CB	1	1	0	0	1	1	1	1	1	1	1	1	1	1	1	1
6	LPA	1	0	0	0	0	1	1	1	1	1	1	1	1	1	1	1
7	DAF	1	0	0	0	0	0	1	1	1	0	0	0	0	0	0	0
8	LoP	1	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0
9	LoM	1	0	0	0	0	0	0	1	1	0	0	0	0	0	0	0
10	SVBM	1	1	0	0	0	0	1	1	1	1	0	0	1	0	0	0
11	VBB	1	0	0	0	0	0	1	1	1	1	1	1	1	0	1	1
12	BMBB	1	1	0	0	0	0	1	1	1	1	1	1	1	0	0	0
13	NBR	1	0	0	0	0	0	1	1	1	0	0	0	1	0	0	0
14	TBN	1	1	0	0	0	0	1	1	1	1	1	1	1	1	0	0
15	LIA	1	1	0	0	0	0	1	1	1	1	0	1	1	1	1	0
16	CLP	1	1	0	0	0	0	1	1	1	1	0	1	1	1	1	1

Fig 3: Final reachability matrix

S. No	Barrier s	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	D. P
		DE M	E B	S B	I B	C B	LP A	DA F	Lo P	Lo M	SVB M	VB B	BMB B	NB R	TB N	LI A	CL P	
1	DEM	1	1	0	0	0	1	0	0	0	0	0	0	0	0	0	0	3
2	EB	1	1	0	1	0	1	1	1	1	0	1	1	1	0	0	0	10
3	SB	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	16
4	IB	1	0	0	1	1	1	1	1	1	1	1	1	1	0	0	0	11
5	CB	1	1	0	0	1	1	1	1	1	1	1	1	1	1	1	1	14
6	LPA	1	0	0	0	0	1	1	1	1	1	1	1	1	1	1	1	12
7	DAF	1	0	0	0	0	0	1	1	1	0	0	0	0	0	0	0	4
8	LoP	1	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	2
9	LoM	1	0	0	0	0	0	0	1	1	0	0	0	0	0	0	0	3
10	SVBM	1	1	0	0	0	0	1	1	1	1	0	0	1	0	0	0	6
11	VBB	1	0	0	0	0	0	1	1	1	1	1	1	1	0	1	1	10
12	BMBB	1	1	0	0	0	0	1	1	1	1	1	1	1	0	0	0	9
13	NBR	1	0	0	0	0	0	1	1	1	0	0	0	1	0	0	0	5
14	TBN	1	1	0	0	0	0	1	1	1	1	1	1	1	1	0	0	10
15	LIA	1	1	0	0	0	0	1	1	1	1	0	1	1	1	1	0	10
16	CLP	1	1	0	0	0	0	1	1	1	1	0	1	1	1	1	1	11
	De.P	16	9	1	3	3	6	14	16	15	10	8	10	12	6	6	5	

5. CONCLUSIONS

Present research tries to establish the inter-relationships amongst the various barriers and success factors for the growth / decline of Social enterprise in India using ISM methodology .

6. FUTURE DIRECTIONS

- In relation to ethical values, research might investigate cognition and values-based decision-making.
- A comparative study might investigate the extent to which the cognitive processes of commercial and social entrepreneurs are in alignment or diverge.
- Research on strategies for social enterprise partnering would provide key insights into the roles of moral agency and dual mission in network development.
- Other MCDM techniques such as AHP, Fuzzy TOPSIS can also be used to describe the hierarchical relationships amongst the barriers.

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