

Mobilizing Resources for Social Entrepreneurial Opportunity: A Framework of Engagement Strategy

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Abstract : The emergence of social entrepreneurship challenges the strict categorization of not-for-profit, for-profit and hybrid organizations. Although the blurring of boundaries helps social entrepreneurial organizations (SEOs) make better use of emerging opportunities, it poses a significant challenge while mobilizing money from different sources. Additionally, for monetary resources, the legal framework of the host country may further complicate the issue by imposing strict accounting standards. Under such circumstances, the resource providers fail to recognize the suitable engagement strategy with the SEO of their choice. Based on the process of value creation and value capture, this paper develops a guiding framework for resource providers to design an appropriate mix of engagement with the identified SEOs. Essentially, social entrepreneurship creates value at the societal level, but value capture is a characteristic of an organization. Additionally, SEOs prefer value creation over value capture. The paper argued that the nature of the relationship between value creation and value capture determines the extent of blurred boundaries of the organization. Accordingly, synergistic, antagonistic and sequential relationships were proposed between value capture and value creation. When value creation is synergistically associated with value creation, the preferred nature of such action falls within the nature of for-profit organizations within the strictest legal framework. Banks offering micro-loans are good examples of this category. Opposite to this, the antagonist relationship between value creation and value capture, where value capture opportunities are sacrificed for value creation, dictates non-profit organizational structure. Examples of this category include non-government organizations and charity organizations. Finally, the sequential relationship between value capture opportunities is followed for value creation opportunities and guides the action closer to the hybrid structure. Examples of this category include organizations where a non-for-profit unit controls for-profit units of the organization either legally or structurally. As an SEO may attempt to utilize multiple entrepreneurial opportunities falling across any of the three relationships between value creation and value capture, the resource providers need to evaluate an appropriate mix of these relationships before designing their engagement strategies. The paper suggests three guiding principles for the engagement strategy. First, the extent of investment should be proportional to the synergistic relationship between value capture and value creation. Second, the subsidized support should be proportional to the sequential relationship. Finally, the funding (charity contribution) should be proportional to the antagonistic relationship. Finally, the resource providers are needed to keep a close watch on the evolving relationship between value creation and value capture for introducing appropriate changes in their engagement strategy.

Keywords : social entrepreneurship, value creation, value capture, entrepreneurial opportunity

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