Evaluating the Donor: Enterprise Relationship in a Not-For-Profit Social Entrepreneurship Venture

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Abstract: This research encompasses an exciting journey in social entrepreneurship. Based on a comprehensive study of a not-for-profit business enterprise dependent on social capital, the three phase model of entrepreneurship (Greve and Salaff 2003) was employed to recognize comparative stages for developing social trust, an important indicator of social capital. Data from historically documented day to day diary records and in-depth interviews were examined and evaluated by "N.Vivo" content analysis, with the purpose of achieving profitability in the "third sector"[i]. Results demonstrated the influence of social trust on sustainability and entrepreneurial growth; with specific emphasis on the donor – enterprise alliance, a dominant control factor.

Keywords: social capital; social trust; social entrepreneurship; third sector.

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1 Introduction

This research is part of a three year longitudinal assessment of the CLICK[ii] not-for-profit organization located in Israel, with the purpose of developing a new creative business model that achieves sustainability and profitability. As well as doing just that, it also evolved into an unexpected, in depth study of human interaction and interpersonal relationships, with particular focus on the donor-enterprise partnership; the donor being a social entrepreneur.

Prior to this study CLICK was tired and frustrated with the continual dependence on dwindling government and municipal funding. Conventional funding strategies had been exhausted and did not provide a long term resolution for economic survival in a competitive environment. Many social service organizations consequently developed business strategies to initiate resources of new income generating avenues. Taking this in mind, CLICK secured funding and initiated the beginnings of an innovative business model. Conventional business approaches were employed, such as developing a marketing and business plan and using financial indicators to determine the fiscal viability of the venture.

The following paper analyses how social trust, a fundamental measure of social capital, played a crucial role and influence, in obtaining information and resources in the business development process, and in specific phases of the entrepreneurship cycle. This encompassed exploring the advantages and disadvantages of social capital, where issues such as the power, control and influence of network relationships, particularly the donor – enterprise alliance were investigated.

The concept of social capital, has advanced to occupy an important place in program enhancement and development; as a core concept in entrepreneurship research (Neergaard and Madsen 2003); in business, sociology and political science (Burt 2000); and in operating a business, particularly in the planning stages of entrepreneurship (Greve and Salaff 2003). Social capital theory consequently provided the conceptual theoretical framework for this study.

The influence of social capital stocks on the sustainability and entrepreneurial growth of the venture was tested in the first year of the research and hypotheses were evaluated by "N.Vivo" content analysis (Mosek, Gillin and Katzenstein 2005). Findings showed the measured "bonding social capital" from family and friends, influenced day to day survival in the early motivation and planning phase. "Linking social capital", from people in control of resources and authority, and "bridging capital", from links with other organizations, was influential in the establishment stage on sustainability and growth. The implications of social capital though, started to take on greater meaning, once the key players in the enterprise became a leading force that affected overall performance. On realizing this, the business development process then had an amazing turn around of events. A conscious mutual decision was made by CLICK, to be guided by the advice and expertise of a social investor, a significant and dominant social entrepreneur. Trust between the two players, a critical determinant of social capital, became a prime factor in the relationship between them, an analysis of which forms the basis of this paper.

2 Literature Review

THE SOCIAL ENTREPRENEUR

Social Entrepreneurship embraces the basic principles of entrepreneurship, but it "is the process of recognizing and relentlessly pursuing opportunities to create social value" (Duke University 2003). Social Entrepreneurs differ from Business Entrepreneurs, as they realize that making a profit is important to achieve and sustain the "mission", but profit is "not the end in itself" (Dees and Haas 1998). "Profit is not the gauge of value creation; nor is customer satisfaction; social impact is the gauge" whereby "mission-related impact becomes the central criterion, not wealth creation" (Ibid). Social entrepreneurship consequently is the act of marshalling resources to develop a social enterprise. According to Gray, Healy and Crofts (2003) a social enterprise "refers to a broad set of approaches that use business acumen to address social goals". It is the act of carrying out community interests using entrepreneurial approaches (Simons cited by Zappalà 2001). Social enterprises encompass the notion that business expertise can be employed to a public cause in order to relocate economic and social resources to disadvantaged groups and people (Crofts and Gray 2001). It involves a wide span of actions, such as profit making ventures carried out by not-for-profits, community economic development, social responsibility projects and cross-sector partnerships (Dees and Haus 1998).

The act of social entrepreneurship is performed by a social entrepreneur. "Social entrepreneurs are the flame that ignites the fire of social transformation" (Hartigan 2002). "Social entrepreneurs are innovative, resourceful, and results oriented", in relation to social concerns (Duke University 2003). They are entrepreneurs with a "social mission" whereby they possess the same approach as business entrepreneurs-: Recognizing opportunities by taking the necessary risks needed to invest the resources, possessing skills to secure external monetary backing, perceiving what is vital for an organization to grow into a larger and more mature enterprise, and understanding the inherent elements for the planning process to achieve this growth. Social entrepreneurs also use business standards to resolve social concerns, such as market research, efficiency and impact evaluation (Hartigan 2002). Social entrepreneurs consequently address social concerns in novel innovative ways, taking on "an opportunity-oriented mindset, actively looking for new possibilities, to achieve a significant positive social impact" (Dees and Anderson 2002).

Social Entrepreneurs nevertheless need to implement business concepts when creating social enterprises. Although "mission making" is their major and central priority, without finances to achieve sustainability and profitability, their mission can't survive (Brinckerhoff 2000). Social Entrepreneurs consequently adopt the basic values of entrepreneurship, but they do so to create social worth, rather than economic capital for owners, or value for customers (Dees and Haas 1998). The major distinction is that social entrepreneurs embark with a social mission frame of mind (Emerson 2001). Their main object is to make the world a better place in which to live (See Table 1).

Table 1: The disparity between not-for-profit entrepreneurs and for-profit entrepreneurs

("Our Community" 2001)

	FOR-PROFIT ENTREPRENEURS	NOT-FOR-PROFIT ENTREPRENEURS
Strength	Personal skills	The organization's knowledge, energy, and collective wisdom
Focus	Short-term gain	Building the long-term sustainability of the organization
Boundaries	No limit on type or scope of projects	Ventures must be based on core competencies and mission

Beneficiaries	Profit pocketed and/ or distributed to shareholders	Profit ploughed back into organization to do more
Risk	Personal and/ or investor	The organization's assets and image, and public trust
Motivation	To be in charge of their own destiny rather than depending on an employer	To enable your organization to be in charge of its own destiny rather than depending on funding bodies

A Critical Analysis of Social Capital

Social capital network relations become a critical asset for social entrepreneurs when developing social entrepreneurship; especially in commencing a new enterprise (Hansen 2001). A sizeable amount of literature connects social capital to entrepreneurship, implying that entrepreneurial accomplishment should be improved where the development in social capital is larger (Aldrich and Martinez, cited by Audretsch and Keilbach 2004). The concept of social capital therefore has advanced to occupy an important place in program enhancement and development. According to Neergaard and Madsen (2003) "social capital is perhaps the biggest growth area in entrepreneurship research and is rapidly becoming a core concept in entrepreneurship research". "Social capital is fast becoming a core concept in business political science and sociology" (Burt 2000). Entrepreneurs recognize its significance in all aspects of establishing and operating a business, particularly in the planning stages of entrepreneurship (Greve and Salaff 2003).

"It's not what you know, it's who you know;" - an individual's family, friends and associates comprise of a noteworthy asset, which can aid in crisis situations, enjoyed for mere pleasure and leveraged for significant benefit. (Woolcock and Narayan 2000). This holds both for individuals and groups; "for example, civic clubs mobilize local energies to build a playground or hospital, while simultaneously providing members with friendships and business connections which pay off personally" (Putnam 2002).

The fundamental idea of social capital, is that social networks have value, by representing the relationships among people, the combined importance of who they know and the benefits which arise from these connections (Putnam 2000). The term entails the concept of "reciprocity (mutual help), trust (confidence and belief), information (passing on ideas), and cooperation associated with social networks (solidarity)" (Ibid). This indicates that individuals, who are connected together, benefit from their social bond (Ibid).

Social capital is a comparatively recent and extremely disputed concept (Stone 2000). Healy and Hamphire (2002) recognize that although the term social capital is comparatively new, it is a developed contemporary social science concept, particularly in the field of sociology and social policy. "Over the past decade, associations as diverse as the World Bank, government social policy departments, non-government agencies and new social movements, have turned their attention to the role of social capital in achieving social goals" (Healy 2001). Putnam (2002) emphasizes the array of fields in which social capital has been functional- not only in political science and sociology, where it stemmed from, but additionally in "economics public health, urban planning, criminology, architecture and social psychology".

Academics and social policy proponents have become so captivated by the success of social capital that its beneficial factors sometimes tend to be extenuated. Social capital can in fact have some harmful influences, which is recognized only in recent times - "While social capital has many beneficial effects with respect to information access and retrieval, community building, and underlying group norms, there are also a number of less-beneficial aspects, which are under-explored in the current empirical literature" (Edelman et al, 2004). For example Portes and Landolt (1996) in their article "*The Downside of Social Capital*", claim that Coleman[iii] and Putnam[iv] create a "one-sided view" of social capital. Portes and Landolt (1996) discuss the affects of exclusion, "the same strong ties that help members of a group often enable it to exclude others outside". Portes and Landolt (1996) illustrate how specific ethnic groups control a particular profession or industry, thereby hampering the entry of outsiders. Portes and Landolt (1996) also discuss the affects of how belonging to a community results in conformity, excluding those contravening the norms - "In small towns, all your neighbours may know you, and you can get supplies on credit at the corner store. The claustrophobia, however, may be asphyxiating to the individual spirit, which is why the more independent-minded have always sought to escape from these conditions and so much modern thought has celebrated the freedom of urban life".

Putnam (2002) also mentions types of ominous social capital which are detrimental to society, such as the Ku Klux Klan. This denotes a type of social capital that undermines the way of life of liberal democracy and racist groups preventing neighbourhood integration, whereby "bonding without bridging equals Bosnia" (Ibid). This is also demonstrated in the case of gangs and mafia families, whereby these contacts may actually suppress rather than benefit individuals and communities (Portes and Landolt 1996). Peer group pressure for example, may tempt youth to engage in a damaging lifestyle (Woolcock and Narayan 2000). Close integration into a specific group or society consequently has implicit consequences, whereby it may also constrict the stream of novel thinking and innovations that are bred beyond the network (Edelman et al. 2004). In addition it may result in "over-investment", involving a situation of being excessively tied to a particular relationship (Ibid).

According to Brown (1974), Coleman made a significant mistake, when he defined social capital in relation to its "function" - "To define a social phenomenon in terms of its outcome is to confound antecedent with consequent. It is conceivable, that different antecedents can lead to the same outcome, or that the same antecedent can have different outcomes under different conditions". When assessing the broad theories and criticisms of social capital, Brown (1999) attempts to provide the most collective multidisciplinary theory of social capital, which integrates a variety of the major theoretical concepts (advantages and disadvantages) of social capital to date- "I began by defining social capital, as a system for distributing resources across a social structure, according to the relations among the egos which constitute the structure. I then conceptualized the system in terms of its components, its structure and its environment".

Healy and Hampshire (2002) also stress the importance of employing a multidimensional approach of the concept, by including the positive, negative, social and economic, local and institutional characteristics of social capital. Woolcock and Narayan (2000) call this a "synergy model of social capital" since it incorporates the various levels and magnitude of social capital, incorporating the liabilities and assets of social capital. "The synergy approach brings together the communitarian emphasis on bonding and bridging forms of social capital, with recognition of institutional responsibility, for facilitating the social and economic conditions through which these forms of capital can be produced" (Healy & Hampshire 2002).

These insights are of vital importance, when theoretically defining social capital, understanding the benefits, confines and implications in its formation and development, and when measuring its outcome.

Measuring Social Capital

Social capital, such as the value of friendships and the effectiveness of social support networks, is a difficult concept to assess. Given the fact that there are multi-dimensional definitions of social capital, it is unlikely a single measure to quantify social capital will be satisfactory (Woolcock and Narayan 2000).

The act of volunteering, social trust and networking activities with family and friends are common, when measuring social capital (Australian Bureau of Statistics 2000). Social trust is a medium in communication and the most frequently used gauge of social capital (Aldridge et al. 2002). Trust assists business dealings and collaboration and relates to attitudes directed towards institutions, strangers and informal associates. “It is a stock variable, which aims to measure subjective feelings of trust in the wider community” (Australian Bureau of Statistics 2000).

Trust directs us towards emotional and physical support when creating a business- “Trust is the precursor to resource acquisition, knowledge combination and exchange” (Liao and Welsch 2001). Someone who develops a high scale of trust will probably be more likely to benefit from the knowledge, information and other forms of resources available in his/her social network; whereby “relational capital will greatly enhance entrepreneurial growth aspiration” (Ibid). For example, the personal relationship shared by an entrepreneur with his supplier, may allow the entrepreneur to buy raw materials and other goods for lower amounts, which may affect profit margin and general performance (Batjargal 2000).

3 Research Methodology

The framework used to both identify and measure the contribution of social trust in CLICK’S longitudinal case of social entrepreneurship, is based on findings from the research question explored in this paper:

How does social trust directly impact on the growth and performance of the social enterprise in terms of 1) motivation, 2) planning and 3) establishment phases of the enterprise?

To recognize comparative stages for the development of social trust, the three phase model of entrepreneurship a structural approach first recognized by Wilken and adopted by Greve and Salaff (2003), has been applied to this study. The three phase model of entrepreneurship assumes that those pursuing a new business enterprise follow three stages of entrepreneurship (Ibid). Greve and Salaff (2003) found that establishing a venture necessitates and recognizes significant social network distinctiveness and activity in three different evolutionary stages of entrepreneurship. The three phases are as follows:-

1) Motivation stage- looking at opportunity evaluation to start a venture (Greve 1994).
2) Planning stage- preparing to launch a venture (Ibid).
3) Establishment stage- running the new or existing enterprise (Ibid).

An additional three step process has also been adopted in the establishment stage of the venture, whereby it has been divided into three equal stages of development according to time. Each phase represents a time period of 12 months, thereby providing additional comparative data. Finding from the first two years are presented in this paper.

The three phase model of entrepreneurship has been documented for CLICK in a historically recorded day to day diary, detailing the various stages of development of the CLICK venture. In depth interviews were also conducted and data was impartially and scientifically coded and assessed with “N.Vivo” software.

“Case study methods are frequently used in network research, particularly for early theory development” (Hite 2005). A case study has been chosen as the appropriate research method, since this venture explores a developmental process of present day program maturation from its actual inception. Given the complexity related to measuring social capital, case study methodology also provides the best approach to assess what specific dimensions of social capital affects sustainability and growth in the not-for-profit sector. This methodology is also a common technique used by the third sector. The concepts and strategies developed by Yin (2003) have been adopted to provide a systematic framework for the general approach to design, data collection and analysis.

Internal validity was achieved by triangulating the three phase model of entrepreneurship:-1) motivation (opportunity), 2) planning and 3) establishment phases of the enterprise, in terms of the self consistency of the collected data. External validity was achieved by comparing this research to the broader social capital theory.

4 Results

Social capital network relationships influenced the sustainability and entrepreneurial growth of the venture, as seen from findings accomplished in the first year of the study (Mosek, Gillin and Katzenstein 2005). Bonding social capital from family and friends in particular, had a support influence on day to day survival in the early motivation and planning phase. Linking social capital, from people in control of resources and authority, and bridging capital, from links with other organizations, in the establishment stage, had a positive affect on sustainability and growth. Recognizing the implications of social capital and the evolving contribution of donor-enterprise relationships to the overall performance of the enterprise, the subsequent data from October 2003-October 2005 was collated (See Table 2-5; Figure 1-6). This data represents two year findings in a three year longitudinal study.

Social trust has been defined as a feeling of support, reliance, ability to confide in people and having confident expectations of others. Lack of social trust has been defined as not feeling supported, reliance, ability to confide in people and confident expectations of others. Institutions have been defined as public organizations, and informal/formal associates have been defined as contacts with social investors, volunteers, suppliers and customers.

Using this concept of social trust, Table 2 is a matrix that shows the response rates from institutions and informal/formal associates in relation to the three phases of CLICK'S development and expressed in a time line.

Table 2 Social Trust as a Function of the CLICK Developmental Phases

	Motivation 5.8.01-20.5.03	Planning 20.5.03-21.10.03	Establishment 21.10.03-31.10.05	Total
Institutions	0	0	1	1
Informal/formal associates	1	0	11	12
Total	1	0	12	13

Figure 1 illustrates the significance of felt social trust in the establishment phase and absence in the planning phase.

Figure 1 Occurrence of Felt Social Trust in a Time Line

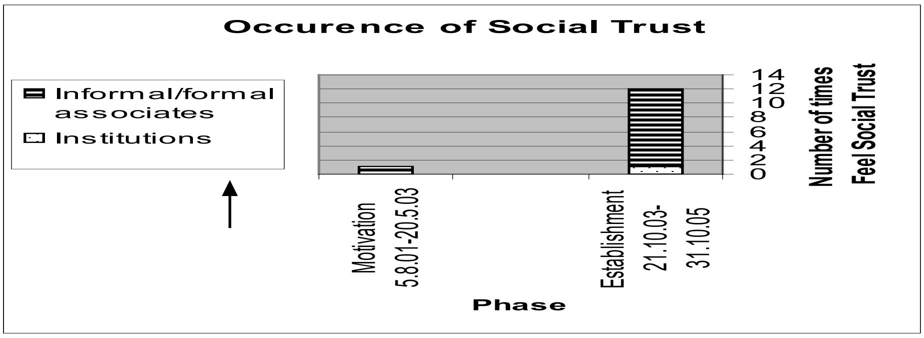


Figure 2 illustrates the significance of felt social trust predominantly with a social donor in the establishment phase and absence in the planning phase. The local Municipal Department of Human Services (DHS) is categorized as an institution. The landlord of the business venture is categorized as a social investor, due to his generous renovation of the business premises.

Figure 2 Occurrence of Felt Social Trust with Specific Players in a Time Line

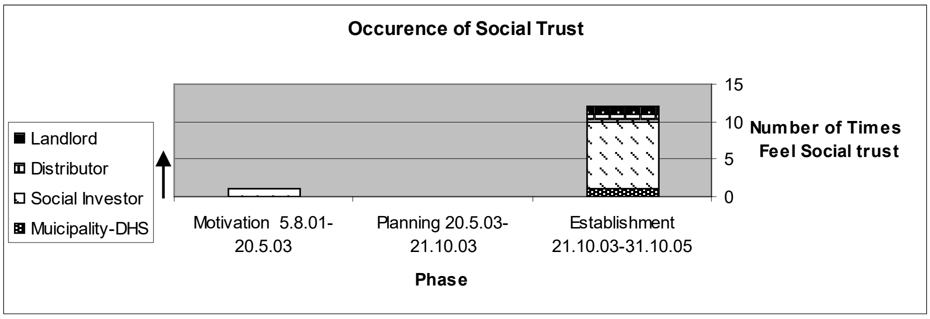
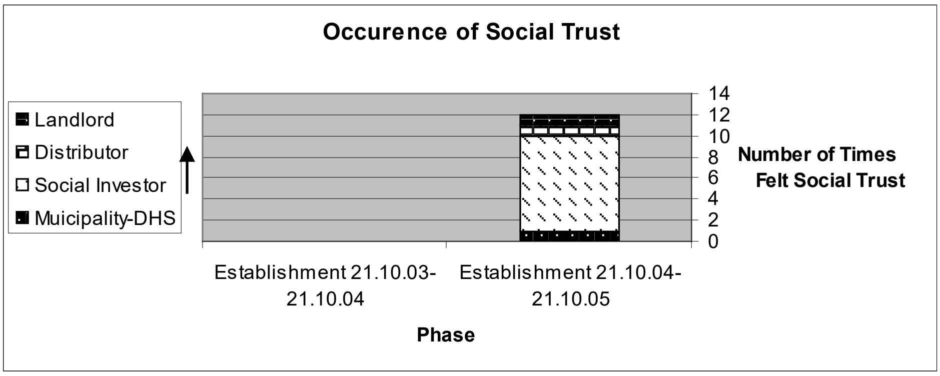


Figure 3 demonstrates the impact of felt social trust with a social investor, primarily in the second part of the establishment stage.

Figure 3 Occurrence of Felt Social Trust with Specific Players in two parts of the Establishment Stage



Using the concept of lack of social trust, Table 3 is a matrix that shows the response rates from institutions and informal/formal associates in relation to the three phases of CLICK'S development and expressed in a time line.

Table 3 Lack of Social Trust as a Function of the CLICK Developmental Phases

	Motivation 5.8.01-20.5.03	Planning 20.5.03-21.10.03	Establishment 21.10.03-31.10.05	Total
Institutions	0	4	10	14
Informal/formal associates	0	0	7	7
Total	0	4	17	21

Figure 4 demonstrates the significance of lack of social trust with institutions early in the planning stage and predominantly in the establishment phase, but absent in the motivation phase.

Figure 4 Lack of Social Trust in a Time Line

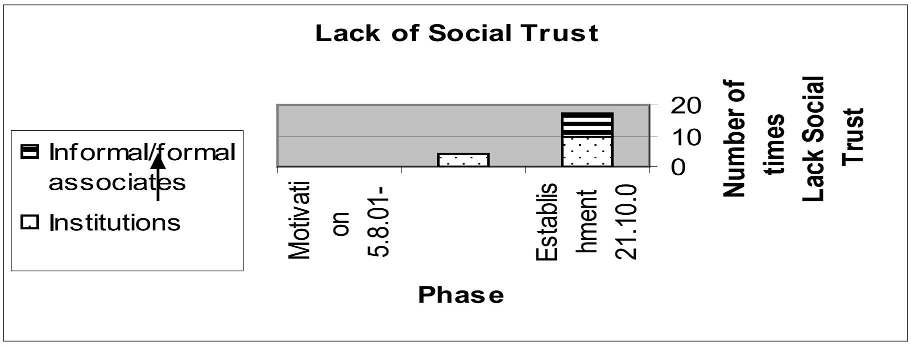


Figure 5 illustrates the magnitude of lack of social trust with the Municipality-DHS in the planning stage and particularly in the establishment phase. Potential new Board of Director members (BOD) have been defined as volunteers and categorized as informal/formal associates.

Figure 5 Lack of Social Trust with Specific Players in a Time Line

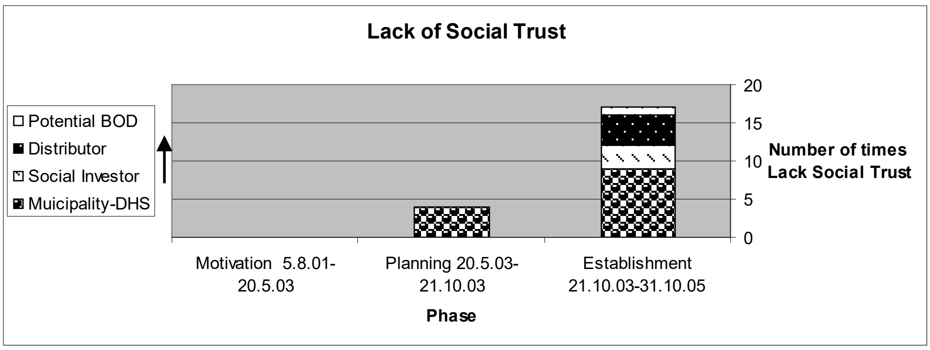


Figure 6 demonstrates the impact of lack of social trust with the Municipality-DHS, primarily in the first part of the establishment stage.

Figure 6 Lack of Social Trust with Specific Players in Two Parts of the Establishment Stage

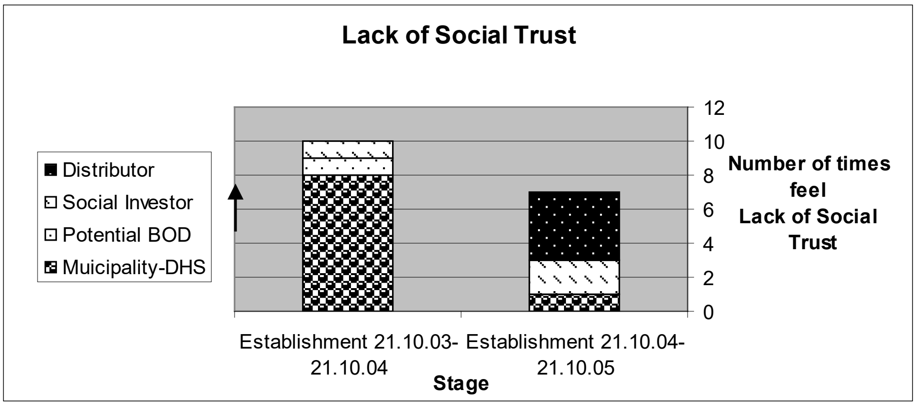


Table 4 contains historically recorded day to day diary excerpts denoting the type of social trust felt with institutions and informal/formal associates, during three developmental phases.

Table 4 Diary Excerpts Denoting the Type of Felt Social Trust in CLICK'S Development Phases

Institutions:	Freq.
Motivation Stage: 5.8.01-20.5.03	0
Planning Stage: 20.5.03-21.10.03	0
Establishment Stage: 21.10.03-31.10.05 ▪ Support and confident expectations from local municipality after receiving certificate of merit	1
Informal/Formal Associates:	
Motivation Stage: 5.8.01-20.5.03 ▪ Confident expectations due to common vision, mission and cultural background with a donor	1
Planning Stage: 20.5.03-21.10.03	0
Establishment Stage: 21.10.03-31.10.05	11

▪ Confident expectations in the project from a social investor secured funding for the venture ▪ Trusting relationship with a distributor helped to buy lower cost raw material ▪ Confident expectation in the social mission resulted in price reduction from a supplier ▪ Working relationship of loyalty and reliance developed with a craft distributor ▪ Social investor maintained support for the program due to trust in the staff ▪ Daily support, reliance, motivation and professional advice were provided by a social investor ▪ Support and reliance were offered from a social investor's family ▪ Confident expectations from social investor's family helped obtain resources ▪ Social investor became a confider and business partner, which promoted planning, motivation and the development of new initiatives ▪ Feeling of reliance and nurturing relationship developed between donor and receiver ▪ Landlord's confident expectations in the social mission influenced donating resources	

Table 5 contains historically recorded day to day diary excerpts assessed with "N.Vivo" software that describe the type of lack of social trust felt with institutions and informal/formal associates, during three developmental phases.

Table 5 Diary Excerpts Denoting the Type of Lack of Social Trust in CLICK'S Development Phases

Institutions:	Freq.
Motivation Stage: 5.8.01-20.5.03	0
Planning Stage: 20.5.03-21.10.03 ▪ Not feeling reliance on and fearing control of the Department of Human Services (DHS), a separate bank account dividing finances from funding with the municipality was opened ▪ Not feeling reliance and fearing control of the DHS, a contract distinguishing the enterprise as a separate project was formulated ▪ Not feeling the ability to confide in the DHS, minimal detail about the project was provided ▪ Fearing the control of the DHS, deliberations about establishing a new not-for profit or possibly a public company were made	4

<u>Establishment Stage:</u> 21.10.03-31.10.05 ▪ Not feeling confident expectations with the DHS, plans were to set up a new not-for-profit ▪ Not feeling confident expectations with the DHS, the venture was to become independent ▪ Not feeling trust with the DHS the venture operated at different hours to CLICK'S ▪ Not feeling the ability to confide in the DHS, CLICK met with the governing organization for the Not-for-Profit Sector for advice ▪ Not feeling confident expectations with the DHS, CLICK obtained application forms to resuscitate a defunct not-for-profit operated by the social investor ▪ Not feeling confident expectations with potential future BOD, CLICK'S director guards her governing rights by consulting a lawyer from the Not-for-Profit Sector ▪ Not feeling confident expectations with the DHS once it stated that not-for-profits should work solely in the area of advocacy. ▪ Not feeling confident expectations with the DHS, thereby plans to change the organization's constitution ▪ Lack of trust and fearing external control by the municipality results in a contract drawn by a lawyer between CLICK and its director ▪ Lack of trust and fearing external control of the DHS, the governing rights to the venture remain with CLICK'S director	10
<u>Informal/Formal Associates:</u>	
<u>Motivation Stage:</u> 5.8.01-20.5.03	0
<u>Planning Stage:</u> 20.5.03-21.10.03	0
<u>Establishment Stage:</u> 21.10.03-31.10.05 ▪ Not feeling confident expectation with a prominent social investor, financial support is at risk ▪ Donor dissatisfaction results in not feeling able to rely on ongoing support ▪ Lack of trust and confidence in the distributor due to sales dropping ▪ Tension between a prominent social investor affect the ability to confide ▪ Lack of trust and confidence with the distributor, due to fears he worked with a competitor ▪ Lack of trust with the distributor, due to fears he will import products from China ▪ Lack of confident expectations trust, reliability with the distributor, due to lack of contact	7

5 Discussion

Social capital has become an increasingly vital resource for social entrepreneurs to accumulate, especially when commencing a new enterprise (Hansen 2001). Trust, an important indicator of social capital, is a vital factor influencing the growth and performance of the business venture. The CLICK study demonstrated this when testing the research question:-

How does social trust *directly impact on the growth and performance of the social enterprise in terms of 1) motivation, 2) planning and 3) establishment phases of the venture?*

Social trust was felt mainly with informal/formal associates (12) compared to institutions (1), particularly in the establishment process (See Table 2, 3; Figure 1, 4). The first incidence of social trust was noted as early as the year 2001, symbolizing the start of the donor enterprise relationship. Although the motivation stage commenced in 2001, the opportunity to follow this initial motivation was in 2003, when the longitudinal study began. Social trust was not felt in the planning stage, probably since the venture moved so quickly, in a period of five months, from the planning phase to the establishment stage.

The occurrence of social trust was more prevailing in the second year of the establishment stage among social donors (9), compared to the municipality- DHS (1), distributor (1) and landlord (1) (See Figure 2, 3). This finding is not surprising given that social trust channels us towards emotional and physical support when establishing a business (Liao and Welsch 2001). Based on the results of the "Nvivo" content analysis, the donor-enterprise relationship improved measures of initiative, motivation, effective planning and obtaining resources, which can be associated with the development of social trust between donor and enterprise management (See Table 4). Early in the motivation phase the donor relationship was distinguished by a shared common vision, mission and cultural background. Confident expectations and passion for the project by a predominant social investor, and donor's family, enabled resources and information to be secured for the venture; such as finance, physical stock and business advice (See Table 4). As the interpersonal relationship with this specific sponsor evolved and consequent social trust developed (See Figure 2 &3), the donor became a confider, business partner and advisor, using past business "know-how" to teach the not-for-profit how to perform (See Table 4). Rather than just invest with no active input, the social investor chose to be an integral player in the business development process. The relationship changed from authority and control to bonding, and nurture. Similar interpersonal relationships are also found among venture capitalists firms in the United States, which "classified the various VC managers' roles as interpersonal with the CEO (mentor/coach, friend/confidant), strategic (sounding board, business advisor, financier), and networking (source of industry contacts, professional contacts, and management recruiter)" (Bruton, Fried and Manigart 2005). The enterprise relationship consequently benefited from the interpersonal relationship that had developed with the venture receiving more resources and vital information required for the business development process (See Table 4).

External validity has been achieved by comparing this outcome of the research to broader social capital theory. The results (See Table 4) are consistent with findings that "trust and trustfulness between actors is positively related to growth aspiration", and "greatly increase entrepreneurs accessibility and appropriatability of external resources" (Liao and Welsch 2001). Social trust is an important measure of social capital, since this relates to a general overall feeling of trust within the society at large. Social trust also brings emotional and physical support and facilitates the sharing and exchange of information and resources (Ibid).

The trust relationship developed over time as the venture progressed through the motivation, planning and establishment phases (See Figure 2 & 3). Given that acceptance and placing confidence in others is a developmental process, this time frame is to be expected when establishing trust between two players. The donor-enterprise relationship reached its peak in the second stage of the establishment phase See Figure 3) and became of the utmost importance as a precursor to securing resources for the venture. During this phase the social investor's return on investment was reaping the emotional satisfaction of providing for a significant social cause. For CLICK, previously concerned with the sole aim of sustainability and profitability, the development of social programs was what ended up becoming of utmost importance. Revenue and sustainability was no longer the driving force, but became a means to an end in order to attain the social mission. The satisfaction, mutual understanding, common vision and trusting relationship gained from the donor-enterprise relationship, consequently were the catalyst and inspiration for the ongoing and sustainable business development (See Table 4). In addition a trusting work relationship had developed with a craft distributor allowing the organization to purchase raw materials and other goods for lower prices; inevitably reducing expenses and influencing profit margin and sustainability (See Table 4).

By way of contrast a significantly higher incidence of lacking felt social trust (21) was observed to social trust (13) in terms of 1) motivation, 2) planning and 3) establishment phases of the enterprise (See Table 2, 3). Lack of social trust was experienced predominantly with institutions (14) compared to informal/formal associates (7). Given that social trust is a medium in communication and an important measure of social capital this observation implied that poor social capital network relationships existed between CLICK and institutions; in this case the municipality- DHS (See Table 5).

Findings demonstrate that lack of social trust became more prevalent in the first year of the establishment stage particularly with a significant representative from the municipality- DHS (13), compared to a craft distributor (4), social investor (3) and potential BOD (1) (See Figure 5, 6). Even in the planning stage lack of trust was already apparent with the municipal- DHS employee (See Figure 5). The not-for-profit continually feared the potential control of the municipality-DHS, particularly in the first stage of the establishment phase (See Figure 6). In the past, the organization had experienced a great deal of emotional distress and received threats to have municipal funding cut, if it refused to abide by requests of the municipal-DHS member of staff. As well, attempts were made by the municipal- DHS worker to close the not-for-profit by establishing a competitive body, where all future municipal funding would be transferred. This attempt failed, but left the not-for-profit with an ever pervading fear of losing control of its valued social projects.

There was an obvious preoccupation on behalf of the DHS- member of staff with process, as compared to the need to facilitate venture outcome and program development. As a result CLICK provided minimal details about the business enterprise to the municipality- DHS; opened a separate bank account to protect all revenue earned by the venture, met with the governing organization for the not-for-profit sector to receive advice regarding establishing an independent not-for-profit public company; and prepared a legal contract protecting the project from outside control (See Table 5). These issues though tended to diminish in the second stage of the establishment phase (See Figure 6) when the threats subsided, due to other non related events taking precedence.

A troubling sense of lacking social trust, particularly in the second year of the establishment phase developed with the venture's national craft distributor (See Figure 5, 6). Sales dropped creating fears the distributor worked with a competitor and planned to import products from China

(See Table 5). Previously enjoying a relationship marked by social trust (See Figure 2, 3), the not for profit was puzzled by this unresolved change. The organization feared it may have been too accepting and naive of the competitive, unfamiliar and cruel cut throat business world; a possible downside of social trust - “over trust”.

In the first, and particularly in the second stage of the establishment process, the donor-enterprise relationship also suffered a setback (Figure 5, 6). Lack of social trust was felt due to donor dissatisfaction at the slow rate the program developed nationally (See Table 5). This placed ongoing financial support at risk. The strong personality and control of resources by the donor tested the strength of the relationship to the fullest, resulting in tension that affected the ability to confide in one another (See Table 5). In addition, the not-for-profit had become reliant on the social investor, creating dependency on a specific resource, at the expense of developing new ones. New grant proposals may have brought in new contacts as well as additional finance, rather than over-investing and possibly over nurturing the current one. This once more could be a potential pitfall of social trust- “over investment”.

In a turn of events, a conscious mutual agreement was suggested by the not-for-profit, in the second part of the establishment phase, to be totally guided by the advice and expertise of the donor; despite the physical distance separating them with the sponsor residing overseas (See Table 4). This in affect saved the situation and the maintenance of this new relationship became of prime importance. The donor agreed to fulfil the role of business advisor and to become involved in the day to day running of the venture (See Table 4). The shared vision and firm belief in the social mission helped to override the previous conflict of issues. Perseverance had actually strengthened the donor-enterprise relationship, whereby a strong bond, mutual appreciation and viable working relationship, eventually overcame the temporary disagreement (See Table 4). Lack of social trust evolved into trust once the two parties gained a better understanding of each other. The human interaction between the donor and enterprise consequently intensified and solidified in the second stage of the establishment phase, a natural progression when building steps to develop trust over a period of time (See Figure 3). The rekindled working relationship resulted in new emotional and physical support becoming available, directly impacting on the growth and performance of the social enterprise. Trust and support offered by the social investor’s extended and immediate family also significantly contributed in rectifying the situation; thereby securing more valued resources and business information that promoted the sustainability and growth of the venture (See Table 4).

6 Conclusion

The CLICK study illustrates how social capital correlates to the resources available within a community as a result of the development of social trust in a time line. The CLICK research supports and demonstrates that trust, an important indicator of social capital, is a central factor in securing physical and emotional support, that impact on the growth and performance of the social enterprise.

When testing the research question the sustainability and profitability of the enterprise was significantly affected by the humanistic components and interpersonal relationships among the players involved. They are the driving and influential forces that affect overall performance when developing social entrepreneurship.

The trust/ lack of trust derived from the interpersonal relationships though raised a number of future issues to be assessed:

What boundaries does/should the role of a social investor have?

Can over trust be a potential downside of social capital?

Can dependence on a specific donor be a pitfall of social capital?

This research will continue to be historically documented over the next year and outcomes from this enterprise will ultimately assist in presenting a prototype, from which other not-for-profits can learn and benefit.

NOTES

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[i]The "Third Sector" has been defined as organizations not entirely part of the private or public sector; voluntary and community groups
[ii] CLICK- Community Leadership and Intervention of Crisis for Kids and the Elderly; Hod Hasharon, Israel
[iii] Coleman- a family sociologist in the 1980's, who placed the idea of social capital on the academic agenda
[iv] Putnam- political scientist and a professor of public policy at Harvard University

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