

## Founding or Transforming? Social Intrapreneurship in three German Christian-based NPOs

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***Abstract.** In the increased discussions among scholars about social entrepreneurship, the definitions strongly emphasize innovation, social change and social value creation by using economic means. Although researchers' definitions of social entrepreneurship do not couple social entrepreneurship to the founding of new organizations, empirical research overemphasizes those leaders that have started a new venture not long ago, often just studying those organizations or persons that have been selected by one of the practitioner groups or fellowship organizations. The effect is a vast neglect of social entrepreneurship within traditional organizations, what is usually called social intrapreneurship. Here we present three German Christian-based NPOs operating in the field of social integration and social services. The paper showcases that there is a vivid, promising and innovative potential within NPOs that is worth being investigated. We would like to contribute to a view that refocuses on well-established organizations as social change agents with high leverage power, high experience (of practices and markets) and a reasonable acquaintance with risk. A research agenda will be presented based on these findings.*

***Keywords:** Social Entrepreneurship, Social Intrapreneurship, Non-profit organizations, Innovation, Risk*

### Intrapreneurship – An almost neglected perspective in the discourse on social entrepreneurship

Social entrepreneurship currently attracts a lot of attention among scholars of various disciplines (Drayton 2002 and 2005, Bornstein 2004, Bishop 2006, Nicholls 2006, Mair et al. 2006, Mair & Martí 2006). But still there is no agreement a common definition (e.g. Mair & Martí 2006, Hill et al. 2010). There is a wide range of criteria, including innovation, social change, social value creation, social problem solving or opportunity recognition, but they are used with different emphasis. When having a look at the definitions, most scholars do not constrain social entrepreneurship to start-ups. Most researchers are open to both start-ups and transformations in entrenched organizations; the latter is called social intrapreneurship (Mair & Martí 2006). In addition, the rise of the social entrepreneur started with research on

marketization processes within existing nonprofits (e.g. Emerson & Twersky 1996, Weisbrod 1998, Dees 1998).

However, the empirical research overemphasizes leaders that have started a new venture in the recent past. Also in the social sector it seems like „everybody loves an entrepreneur. The intrapreneur (the corporate entrepreneur) is not so well known”, as Joel E. Ross (1987:22) stated for private sector corporations. Moreover the selection of social entrepreneurship cases for investigation is focussed on those organizations or persons that have been selected by one of the practitioner groups or fellowship organizations like Ashoka or Schwab, as this is a very easy and convenient way to find cases. The search for intrapreneurship cases obviously requires more time. Additionally the founding act is often seen as an innovation itself (Casson 1982); hence start-ups are attractive units of academic investigation. Another reason for overemphasizing newly founded organizations might be the *visibility and engagement* of organizations like Ashoka, the Skoll Foundation or the Schwab Foundation and the selected fellows of those organizations. As a result of this, there is a vast neglect of social entrepreneurship activities and innovativeness within entrenched organizations.

According to this shift towards the massive investigation of start-ups, nonprofits still are considered to be inefficient, ineffective and unresponsive (Dees 2001). Social entrepreneurs then are the source of new ways to efficiently serve the customer and market needs. As Drayton (2002) stated: “[nonprofits should become] as entrepreneurial and competitive as business”. But whether they do so is not investigated properly. Zimmermann (1999) concludes that the innovativeness – and he emphasises social intrapreneurship activities – of nonprofit organizations is a field that has not been researched appropriately. And this is not only true for social purpose organizations. Also for commercial enterprises, the study of intrapreneurship has been almost neglected (see Seshadri/Tripathy 2006). But most likely there is an interrelation between start-up activities and social intrapreneurship. As one interviewee, who is a start-up social entrepreneur, puts it:

*„No, they should do that, I just want to say that I do not advocate this form of hysterical competition, but I believe that a competition, which is constructive at a societal level, contains the biggest innovation-content we can imagine. I believe if social entrepreneurs – whether social entrepreneurs recognize the markets in which they are active as such and see for example charities or governmental organizations as coequal actors -, I believe that they then do better, they themselves do better. But first of all I believe – because 97 or 98 percent of all social services are run by the governmental and charities and a maximum of two percent, I presume, are run by social entrepreneurs -, that social entrepreneurs generate a tremendous pressure towards change, an innovation pressure on the governmental organizations and the charities. So I believe that if social entrepreneurs take on that competition, that they contribute best to society. And the goal should not be: On the one side are those that state that their model is right and the others have to be destroyed or conquered; and I believe that social entrepreneurs-- because they arise due to the development of an innovation and an innovation pressure -- they carry the innovation into specific structures. [...] I see it at many places where social entrepreneurs are very active. Then governmental organizations and charities begin not only to copy, but to outplay them.”*

Here we find an interesting gap that leads to two research questions. First: Can we find social intrapreneurship within entrenched organizations and is it different from social entrepreneurship start-ups? Second: What is the relationship between social start-ups and the innovativeness of entrenched organizations? To sum up, shall the research focus just on founding or on transforming or on both with respect to their relationship to each other? Our main intention here is to showcase that, especially in Christian organizations, where one

would not expect flexibility or a high degree of avant-gardism, social intrapreneurship is detectable.

The paper is structured as follows. We start with an overview of different approaches to a definition of social entrepreneurship to come closer to the core of the construct. The main criterion is seen as innovativeness. Then we derive a conception of social intrapreneurship from existing literature. This conception is the baseline for our investigation of three cases of very old and big Christian-based nonprofits in Germany. The results in the discussion section reveal that the cases chosen show strong characteristics regarding the social intrapreneurship dimensions, namely innovativeness, proactiveness and risk. Finally, implications for further research are given in the conclusions.

## Social Entrepreneurship – A contested concept

At present there is no clear definition of social entrepreneurship (see e.g. Mair & Martí 2006, Hill et al. 2010), which is a combination of entrepreneurship with the prefix social. In traditional definitions of entrepreneurship we find a variety of different elements. First, Richard Cantillon defined an entrepreneur as follows: “Without an assurance of the profits he will derive from his enterprise” (Cantillon 1964). Cantillon emphasizes value creation in a capitalist society. Like Jean Baptiste Say (1803, 1829), he points to the risk-taking character of an entrepreneur. For Say the coordination of production factors and the implementation of new and better procedures are essential to an entrepreneur. Efficiency and effectiveness are also guiding features.

Apart from these two authors, the most powerful and influential definition of entrepreneurship comes from Joseph Schumpeter (1993). For him an entrepreneur is someone who makes knowledge and dreams vivid in reality, while not necessarily being an inventor. He is an innovator in the sense that he destroys and at the same time renews processes and structures. The term *creative destruction* is often used by authors referring to Schumpeter.

Contemporary approaches add different elements to these traditional definitions. Peter Drucker (1993) values an entrepreneur as someone who sees and uses opportunities given. Entrepreneurship for Drucker is characterized as economic value creation where there was nothing before. This inventor perspective is being used in many understandings of social entrepreneurship. Imagination and creativity as well as implementation are seen as essential criteria to distinguish entrepreneurial management from classical management.

Hans Jobst Pleitner (2001) gives a list of characteristics being found in the various entrepreneurship definitions, including the use of opportunities, taking risks, coordination of resources, generation of jobs, development and exploiting of innovations, and value creation. Pleitner is one of the few who defines entrepreneurs as founders of new organizations. Even if the concept of entrepreneurship does not necessarily refer to the founding of new ventures, the term intrapreneurship was introduced to express the necessity of innovations in older organizations due to keep up with the speed of change in modern societies.

When turning to *social* entrepreneurship, the literature refers to these authors in search of defining features of the entrepreneurial part of the term (Dees 1998). Proactiveness and opportunity-seeking, innovativeness and acting boldly are identified by Dees as the central

features. The social part of the definition is added because of the social mission an organization has and the accountability to the constituencies being served (Dees 1998). But the definitional work on social entrepreneurship is everything but clear. Many schools of thought can be differentiated.

Dees & Anderson (2006) distinguish between two schools and call for a clear dividing line between the two. First, the *social enterprise school* emphasizes earned-income strategies to serve a social mission. Second, the *social innovation school* focuses on “establishing new and better ways to address social problems or meet social needs” (ibid: 41). Dees (2003) and also Martin and Osberg (2007) criticize a dilution of the concept of social entrepreneurship. Innovation and social impact are claimed as the central point of social entrepreneurship and not earned income (Dees 2003). By contrast, Defourny & Nyssens (2010) have argued that there is more convergence between these two schools of thought and less divergence. Thus the schools of thought have much more in common than expected, and the dividing lines between them are not that clear at all.

A conclusion we draw so far is that social entrepreneurship is still a highly contested concept among scholars, but it is also contested among practitioners in the field. This is because each of them has its own agenda and goal, which makes them see social entrepreneurship in a specific light (see Nicholls 2010). This might also be due to the fact that the literature used for grouping the concepts are often highly divergent, and there is little overlap.

As the criteria used for social entrepreneurship definition are very diverse and the relation between them remains unclear, we try to filter the core characteristics of social entrepreneurship and intrapreneurship here by analyzing key criteria of given definitions in existing conceptual papers of the leading scholars and practitioners in the field, which are most often referred to in the academic discussion. Here we just focus on the basic definitions of the authors. This approach is justified by the presumption that the criteria given in the very core definition - within only one to three sentences - include the essential ones. All other criteria and constructs used in the texts are seen as peripheral and are used for explanatory purposes. Table 1 shows the result of our analysis of 30 of the most relevant references.

	Entrepreneurial spirit (traits)	Entrepreneurial means	Mobilization of resources	Innovativeness	Efficiency and Improvements	Diffusion and Scaling	Sustainability and durableness	Social goal, social value creation	Social change, pattern breaking	Double bottom line
Waddock & Post (1991)								✓	✓	
Leadbeater (1997)		✓	✓	✓	✓	✓		✓	✓	
Prabhu (1999)				✓	✓			✓	✓	
Brinckerhoff (2000)	✓			✓	✓		✓	✓		✓
Fowler (2000)								✓	✓	✓
Thomson, Alvy & Lees (2000)			✓						✓	
Dees (2001)	✓		✓	✓	✓		✓	✓		✓
Alvord, Brown & Letts (2002)			✓	✓			✓	✓	✓	
Hibbert, Hogg & Quinn (2002)		✓						✓		✓
Boschee & McClurg (2003)								✓		✓
Caloia (2003)							✓	✓		
Mair & Noboa (2003)			✓	✓	✓			✓		
Mort, Weerawardena & Carnegie (2003)	✓	✓		✓	✓			✓		
Barendsen & Gardner (2004)	✓	✓						✓		
Bornstein (2004)	✓			✓	✓	✓		✓		
Fueglistaller, Müller & Volery (2004)		✓			✓			✓		✓
Drayton (2005)	✓			✓					✓	
Kramer (2005)				✓	✓	✓	✓		✓	
Mair & Martí (2005)			✓	✓				✓	✓	
Light (2005)						✓	✓	✓	✓	
Austin, Stevenson & Wei-Skillern (2006)				✓				✓		
Cho (2006)								✓		✓
Nicholls (2006)			✓	✓	✓	✓		✓	✓	
Perrini & Vurro (2006)		✓		✓		✓			✓	✓
Robinson (2006)		✓					✓	✓		✓
Achleitner, Pöllath & Stahl (2007)		✓						✓		
Martin & Osberg (2007)	✓							✓	✓	
Zahra, Gedajlovic, Neubaum & Shulman (2009)		✓		✓				✓		
Ashoka (2010)	✓			✓		✓		✓	✓	
Hill (2010)	✓			✓				✓	✓	
	9	9	7	17	10	7	7	27	15	9

Table 1: Overview of definition criteria on social entrepreneurship of various authors

The table reveals a strong emphasis on social goals or social value creation being an important part of 27 of the 30 definitions analyzed. Innovativeness has 17 counts followed by 15 counts for social change or pattern-breaking ideas, which are also related to innovations. We have left aside some criteria that had only a marginal number of counts. Astonishingly, only two authors mentioned risk-taking being a core criterion of social entrepreneurship. As we can expect entrenched nonprofit organizations to strive to reach social goals, we especially focus on innovativeness in the cases presented below because innovation is to be seen as the centre of most social entrepreneurship approaches.

## **Social Intrapreneurship – Entrepreneurship within Nonprofits**

Tom Peters and Robert Waterman (2004) wrote in their book *In Search of Excellence* that one of the most discouraging facts of big corporations is that they have lost what got them big: *innovation*. This is due to the fact that complexity grows when an organization gets bigger, and along with that process it becomes more bureaucratic. There are several barriers to innovativeness within entrenched organizations like size, lack of communication, internal competition, high costs of failures, idleness or hierarchies (see Malek & Ibach 2004). Organizational stages models are based on this assumption, too. Larry E. Greiner (1972, 1998) and Cuno Pümpin and Jürgen Prange (1991) argue that organizations lose their flexibility and innovativeness when they grow and age.

However, for Greiner (1972: 44) the fifth phase in evolutionary organizational development leads to a “heavy pressure for innovative solutions”. “When Giants Learn to Dance” by Rosebeth M. Kanter (1989) describes this innovativeness in organizations that were big and in which therefore no flexibility and dynamic within these organizations was expected or even thought to be possible. Big corporations can become innovative again when fostering intrapreneurship and the supporting organizational culture (Ross 1987).

The concept of intrapreneurship can be traced back to an article published by Norman Macrae (1976) in *The Economist*. Originally the idea was to express competition structures within organizations and how to foster innovations (Nielsen et al. 1985). Intrapreneurship then has been conceptualized as a cause of innovativeness (O’Connor & Rice 2001; Gapp & Fisher 2007; Pinchot 1983, Rodriguez-Pomeda et al. 2003, Kuratko 1993), competitiveness (Jennings et al. 1994; Pinchot 1985), and organizational renewal (Brunaker & Kurvinen 2006; Duncan et al. 1988, Kenney & Mujtaba 2007) and as a way to survive hard economic phases (Singh 2006).

The main advantage of intrapreneurs is the possible usage of resources and infrastructure of the existing organization for innovation purposes. Entrenched organizations often can better balance the risk that goes along with innovativeness. Both things are closely related to each other, while a higher degree of innovativeness is related to the potential growth. Furthermore the organizational risk is increasing (Malek & Ibach 2004).

Research has shown that some organizational features like organizational culture, organizational structure and the leadership of an organization can foster an intrapreneurial process (Colvin & Slevin 1991; Horsby et al. 1993; Ireland, Covin & Kuratko 2009). Hornsby et al. (1993) describe intrapreneurship as a process that focuses on an individual actor and is

the result of organizational and individual characteristics. Organizational characteristics are management support, autonomy and work discretion, rewards and reinforcement, time availability, and organizational boundaries. Individual characteristics are risk-taking propensity, desire for autonomy, need for achievement, goal orientation, and internal locus of control (ibid.). In a volatile and uncertain market environment building an intrapreneurial organization can serve as a strategy to survive (Kao 1991).

These studies are written from a business perspective, aiming at identifying factors that help explain what makes organizations most successful in business terms (e.g. Kuratko et al. 1990, Zahra 1991, Carrier 1994, Carrier 1996). As the success of organizations in the social sphere is expressed in different and more complex social terms like well-being, satisfaction or increased recognition of marginalized groups, the applicability of these business concepts to the social sphere lacks validation and has not been attempted by scholars yet.

But nonprofits are also acting in increasing uncertainty. A body of research is reflecting changes in entrenched nonprofits. Here the discourse is connected to managerialism, marketization or commercialization (Emerson & Twersky 1996, Weisbrod 1998, Dees 1998, Young & Salamon 2003, Dart 2004). Social intrapreneurship, understood as social entrepreneurship in entrenched organizations, often refers to not-for-profit initiatives that aim at searching for alternative funding strategies (Austin et al. 2006, Boschee 1988). One definition characterizes social intrapreneurship as individuals working within a bigger and already established corporation or organization and developing practical solutions to social or environmental challenges. As well, people who apply the principles of social entrepreneurship which we have listed in table 1 within an existing organization are known as social intrapreneurs (SustainAbility 2008). Those actors can use and leverage existing infrastructures and organizational capabilities (Brenneke & Spitzbeck 2010).

Mair and Martí (2006) state that there is no clear dividing line between social entrepreneurs and social intrapreneurs. Both concepts refer to traits and/or innovative processes and solutions to social problems. Entrepreneurs and intrapreneurs are defined by “applying an entrepreneurial skill-set such as being innovative, proactive, action-oriented, creative, and courageous to bring about an innovation. Also as they have to facilitate communication and interaction with sponsors, employees, customers and other stakeholders, social skills such as networking, emotional intelligence, working across sectors, boundary-spanning and leadership have been attributed to them” (Brenneke/Spitzbeck 2010; see also Hemingway 2005; Moore & Westley 2009).

To sum up, the literature reveals a huge amount of features of entrepreneurship and intrapreneurship in the business sector; so does social entrepreneurship and social intrapreneurship literature. For our analysis of social intrapreneurship in Christian-based nonprofits, we see five features most recognized in the literature. First, there needs to be a social goal that qualifies organizations as socially active. Second, there is a structural entrepreneurship feature related to earned-income strategies. Third, there are three behavioural entrepreneurship characteristics, namely innovativeness, risk-taking and proactiveness. Innovativeness can be described as the introduction of new ideas for products, services or processes. Risk-taking is the willingness to carry the risk and accountability for failures. Proactiveness is the ability and drive to search and exploit opportunities (Lumpkin & Dess 1996). We included risk-taking here, even if it is not often mentioned in the definitions of social entrepreneurship. But risk-taking is especially stressed in the literature on business entrepreneurship and can be seen as an important feature of the concept of social

intrapreneurship. We speak of intrapreneurship instead of entrepreneurship in cases where the organization is not at an early organizational development stage. Instead the organization is mature and faces the obstacles deriving from growth and age.

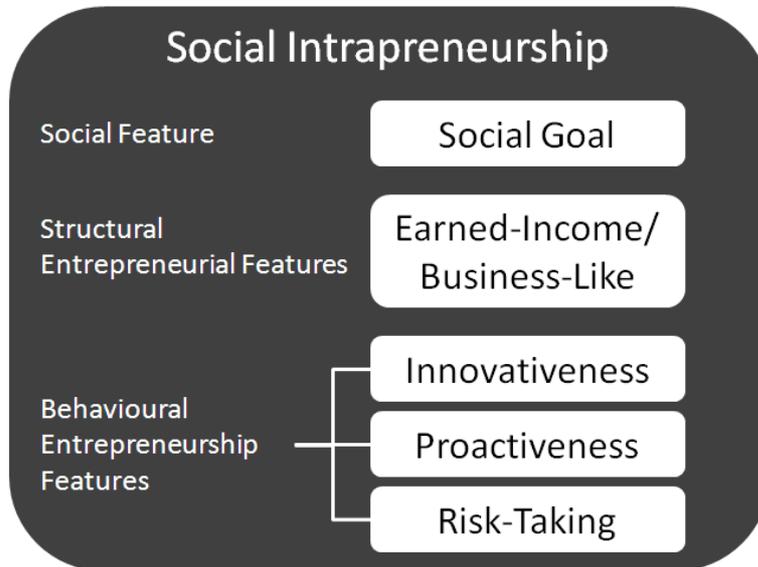


Figure 1: Social Intrapreneurship Analytical Framework

## Method

Our underlying data base consists of three in-depth interviews that have been conducted in all of Germany in 2010 and the first half of 2011. They belong to a universe of 45 interviews with founders and chief executives of social enterprises and hybrid organizations. Besides the interviews, we conducted desktop research on the respective organizations.

The organizations have been selected through various methods of purposeful sampling (see Patton 2002). This popular method in qualitative research is often used in an exploratory research approach. We focused on two specific types of purposeful sampling, the maximum variation sampling and the homogeneous sampling. In terms of the maximum variation sampling the organizations' legal status encompasses associations, foundations, "non profit limited companies (gGmbH)", corporations, cooperatives and even a for-profit company.

Other cases, including the three organizations presented in this article, were chosen by using the homogeneous sampling method. In the overall sample they make up a small group on their own but nevertheless have a strong influence in the discourse on social entrepreneurship as they challenge the hypothesis that "in recent years social entrepreneurship has emerged as a global phenomenon" (Nicholls 2006: 2). The organizations in question were founded between the 2nd half of the 19th century and the 1st decade of the 20th century, so they have been in existence for more than 100 years.

In recent years the acceptance of a rather inductive research approach has gained in prominence, closely intertwined with the emerging focus on qualitative data during the last decades. Several authors emphasize the valuable contribution that case studies can provide for

comparative and exploratory research (Eisenhardt 1989, Flyvbjerg 2011). Especially Flyvbjerg underlines the complementary character of case studies as their strengths consist of empirical depth, a high conceptual validity and a better understanding of both the context and the reasons for a phenomenon (see Flyvbjerg 2011). So the assertions drawn from case study research can be considered to be as meaningful as quantitative data, and sometimes they even help to sharpen or correct theoretical assumptions.

What is more, the development of grounded theory methodology (for the beginning see Glaser / Strauss 1967) has especially contributed to an increased analysis of qualitative social research and a closer involvement of the relation between theory and empirical data. The founding fathers Glaser and Strauss “argue (...) for grounding theory in social research itself – for generating it from the data” (Glaser / Strauss 1967: VII), as this approach is especially suitable for an exploratory research design within a slightly known area and depicts a mutual oscillating process between extrapolating empirical data and theoretical reflection.

Based on this condition the approach and methods used are well defined for exploring the fuzzy landscape and discourse of social entrepreneurship and, likewise, intrapreneurship organizations.

## **Three Case Studies of Christian-based Nonprofit Organizations**

### **Stiftung Liebenau**

The Stiftung Liebenau was founded in 1870 by Chaplain Adolf Aich with the intention to give refuge to people with severe hardship, especially those with mental diseases, but also elderly people and younger people with special educational needs. The spectrum of tasks varies widely but is arranged around the pillars of housing, education and jobs close to the residence of the target groups, as well as health care. Today approximately 6000 people work for the Stiftung Liebenau. A total revenue of more than 257 million Euros was generated in 2010. The Stiftung Liebenau was restructured as a holding company in 1995 with 2500 employees at that time.

Stiftung Liebenau offers a very broad spectrum of services. One of the biggest challenges for the foundation is that, for some new service ideas, there is no public funding existing. Moreover this has forced some adaptation of legal forms of the subunits belonging to the Stiftung Liebenau; while some can be run as a for-profit, limited liability company, others have to be run as charitable non-profits. Innovativeness was needed for the foundation to find an appropriate fit between the needs of disadvantaged people and the legal framework offering funding for specific services.

*“[...] we work very refined and not every service, let’s say it that way, is mapped with a refinancing, by the social funds, payers, welfare agencies. That means we had to fit new offerings – of which we have seen the need for – into the existing service agreements.”*

Often that had led to creating a new service type. For example, a parents-and-child house was opened up to also treat the parents of a child in need. That issue arose in response to the need to keep children close to their families. Other examples are forms of transgenerational

housing. Since there is no governmental funding for this service, these housing forms are financed by cross-subsidization.

As a rule, the organization refuses to cross-subsidize, but in some cases it does it on purpose. To avoid cross-subsidization each subunit is operating independently; a temporary loss will be compensated but a permanent loss in some cases has led to a shutdown of units. Capital preservation is central to the foundation to keep its autonomy and acting capabilities. In some cases the cross-subsidization is done for at minimum two reasons. First, there are services that are very closely related to the mission of the organization. Because they represent an important part of the organization's identity, they will not be given up, even if there is no refinancing structure available and will never be. Second, some cross-subsidizing is intended for a defined episode, e.g. social engagement in Bulgaria. The intention in this case is to influence local social politics maybe to that extent that social funds will be provided for the services offered by the network of organizations the Stiftung Liebenau is involved with. This could lead to additional funds in the future.

The size and degree of internationalization helps to generate and transfer local and practical knowledge. Additionally it helps to work across fields and to build bridges between them, e.g. to bring together nursing homes and disabled people care. A bigger organization is able to cope with complexities that go along with the organizational size and to find a way through this mess of institutions and decision makers; at least it is able to build bridges between these entities.

The organization characterizes itself as being very innovative but self-reflexive and self-critical in whatever it does. As one of the commercial executives puts it:

*"By far we do not do everything right. I believe we make many things very properly, but we are truly very adaptable also."*

To gain a climate of innovativeness within the organization, the degree of independence has been emphasized. Also important are the employee selection process and an organizational culture advocating a climate for generating and testing new ideas. Unconventional thinking is more than allowed, and new ideas – whether from the governing board or not – are tested at small scale. The employees - especially managers - are given a far-reaching freedom; they are supported by coaching, advanced training and staff development meetings. The organizational climate was termed as "appreciation culture" and "recognition culture". "...[G]ood ideas are given the chance to be implemented." Sometimes new ideas fail, but more often trying out innovations helps the Stiftung Liebenau to stay flexible and self-reflexive, reacting to market changes and adapting proactively and as early as possible as well as creating social change itself.

To initiate new projects and organizations, the foundation often runs a network approach. A project is funded and run together with other organizations. Here the sharing of project costs is an important argument that also leverages the risks for each of the members being involved. Furthermore these networks are creating some kind of pressure for each partner that helps to strengthen the commitment to the project. Also networks with partners are used to open up the door into new markets. Often there is no chance for the organization to run a new project or organization – especially abroad – without local partners. In some cases where other organizations tried exactly that, they failed. Often government ministries and social funds require that a network of several organizations run a service together; otherwise the funds

would not be given to anyone. As a result new organizational forms will be created then. These network approaches have changed the structure and processes of the organization.

*“Well, from an organizational point of view that means that we have developed ourselves from ‘doing it ourselves’ to ‘doing much within networks’.”*

Newly founded social organizations like social enterprises are interesting partners for the Stiftung Liebenau too. But often a partnership is hard to establish. The foundation could provide funds and knowledge as well as risk leverage for those young organizations, while the new organization is flexible and maybe has an innovative idea. But the main constraint and prejudice of the new organizational leaders is becoming dependent on the Stiftung Liebenau and that the foundation might take over the smaller organization. Additionally the decision-making processes within the Stiftung Liebenau take longer than in smaller organizations, where regularly the leader decides as a single person without asking a supervising board.

### **Rummelsberger Dienste für Menschen**

In 1904 the property Rummelsberg was bought by the Landesverein für Innere Mission. The work with physically handicapped people started twenty years later. The Rummelsberger Dienste are a major operator of the Diakonie in Bavaria. Currently 202 services are offered in hospitals, child and youth houses, facilities for assisting persons with disabilities, nursing homes, schools and training centres. Today the Rummelsberger Dienste employ more than 5400 people and have revenues of around 200 Million Euros. The organization faced a severe crisis in 2007 and 2008 due to investigations of the former executive, who was charged with personal injury and convicted. That has created severe damage to the organization’s reputation, which is now slowly being regained. Nevertheless the organization, big as it is, has to meet the challenges of budget cuttings and to find a good balance between qualified services, efficiency and its own mission and goals. The main connection is the work according to Biblical principles.

As an organization with a huge spectrum of different services for disabled people of all ages, the organization is struggling with the variety of social laws that have differing criteria depending on the age of the person. As a result each phase of an individual’s life has to be treated differently from a service and funding perspective, even if this does not make sense in relation to the person’s need. Therefore permanent adaptations and innovative fitting measurements are needed. The integration of the different fields of services and assistance is one major challenge. As the executive puts it:

*“When we start there where we should operate, i.e. people that come to us, the person has a problem and it is not of interest to him whether it will be billed according to social law § 4, 5 9, 11, 12 or whatever. We experience that from a historical perspective, like many others also, this thinking in segments, where an adolescent until eighteen is in the youth care and with eighteenth birthday gets the chop and is out of the system, whereas his problems still exist, is not suitable. This person does not have a job, will become a criminal and enters another system that is the penal system. So we should assist him getting a job, giving him a chance for the future, without looking at his age. This would be much more efficient for society. Or a disabled person in higher age. There is no real difference between a handicapped person in the age of 75 and an elder person in the age of 75, who has, lets say, a mental handicap. Nursery needs the same qualification, but we differentiate between the segments. In principle this is total nonsense, but from the refinancing perspective this is required [...]. This is also our task that we have, to facilitate communication and integration between the segments.”*

To build a bridge between the different segments within the organization, the communication processes have changed over the past few years. More meetings and conferences were held, but still the decision making processes take longer also due to the structures within the Evangelical church. This causes a deep reflection process but decreases the flexibility and speed of the organization. But apart from these points a big advantage of an organization of such a size is the possibility of building networks between the segments. On the other hand a smaller organization that does not have such a range of widespread facilities often has deeper roots into the community and the political institutions. But the Rummelsberger Dienste benefit from their size and services being provided at several spots. First, some services like the youth aid and the work with disadvantaged people cannot be operated on a regional level only. Also the communication with regional political partners does not help, when the decision power is one or two levels above. A bigger organization has the ability and power to search for a dialogue on those levels. Second, ideas and services are more easily transferable and the possibility of spreading new ideas quickly is given. Furthermore each unit can learn from the other as long as the communication processes are appropriate. Third, often the quality cannot be reached by a smaller organization.

*"[...] in a centre for mentally disabled people or in a centre for physically disabled people [...] one cannot do it on a small-scale level; you will never get the quality. At the moment there is an ideology that is called 'small is beautiful', but this destroys the bigger social service organizations, the big entities, but this is not convincing in my eyes."*

As an example for ensuring a high quality standard in all subunits, the Rummelsberger Dienste employs a central special qualified person for nursing, who is checking all subunits on a regular basis and gives advice and support. But beneath these advantages the organizational executives are critical concerning the size of the organization. "Size does call for a bigger overhead that has to be financed. Well, size is no value in itself."

But revenues from some units will be reinvested in other services and operations that generate insufficient revenues to cover costs or no revenues at all. Cross-subsidizing is done intentionally because such services are closely related to the organization's mission and because they are beyond any existing solutions. Often those initiatives have been innovations in the initiating phase. For example, the Rummelsberger Dienste do refugee work for not otherwise supervised children under 16. Also prevention measurements like streetwork programs are covered by revenues from other units up to a specified amount. Like the Stiftung Liebenau, the Rummelsberger Dienste is testing alternative housing concepts where disabled and non-disabled people live together in an apartment-sharing community. For those programs no funds were given from the government, but the results of these approaches are manifold. Another example is the opening up of a music school. All partners argued against this service, which was not seen as adequate for modern times and others warned against cost risks. But the music school runs without deficits, a feat which has not yet been achieved by any governmental music school.

### **Stiftung Hephata**

Since 1859 the Evangelische Stiftung Hephata has provided living, working and education opportunities for people with mental disabilities. Today, the foundation is one of the biggest service and work integration organizations in Germany. Being the first organization caring for people with mental disabilities, the organization is convinced of the abilities of such persons and that those often left aside can contribute positively to the

development of society. From a modern perspective the foundation was very progressive, in the beginning being supported by several Evangelical entrepreneurs and the Order of Saint John. The foundation lays great emphasis on education and the support of people with epilepsy. It went through tough times in over 150 years but remained self-reflexive, stating that it is not without “Fehl und Tadel” (not perfect in all respects). Still, Hephata is an organization that grows steadily and pursues an international expansion strategy. Currently the foundation employs more than 2600 people with handicaps in 27 cities and towns in North Rhine-Westphalia (Germany). Over 130 agencies offer services in the fields of housing, working, education and consultancy.

In the mid-1990s the foundation went through a severe crisis of its own making due to exorbitant overhead. The crisis was a chance for a new beginning; the products and services were adjusted to new customer needs because the old offerings were not adequate to changed times and demands. The organization began to turn a profit, which helped for preserving and investing for further growth. Having learned from this, the foundation today is economically healthy and still critically reflecting on its actions. The stakeholder engagement according to the new St. Gallener Management Model is implemented to detect changes in the environment and new needs that could lead to adjustments of the offerings and also the development of new products and services.

Among the new services offered are new forms of housing. Instead of keeping people with mental diseases away from the rest of society, living in active neighbourhoods is the new model. The clients can live in smaller accommodations. But this is just one example of the innovativeness of the organization:

*“Every 3 to 4 weeks we open up something new. It is like you said before: What is strategy for others is business as usual to us. New construction or something like that is happening permanently. And there we have introduced a new development, which has been recognized in every respect. Not everyone was happy with that; we have crashed with a lot of tenets [...]”*

In an initiating phase the organization has to be entrepreneurial in the sense that the new social ventures are operating outside of any state funding structures. Later on, this venture might cause a change in the system structures so that the venture’s operations become funded or partly funded by the state with all advantages and disadvantages going along with this. This entrepreneurial process, which some current and younger social entrepreneurs are facing, has been experienced by those entrenched organizations many times in their history and are part of their entrepreneurial self-image. Today Hephata is more entrepreneurial than ever before while seeking proactively new ideas and markets.

The new approaches of Hephata have irritated what was common sense and general principle of Diakonie. In a functional way they were dramatically unusual. As a result, Hephata felt it not well represented by the associations they were traditionally connected to. Therefore new networks have been developed, especially the Circle of Brussels. Apart from the lobbying function of this association, the network has helped different social service providers to exchange information and experiences as well as initiate new joint projects. Due to the focus on more efficiency and economic metrics, the organization had to constantly build a bridge between different spheres, internally and also with external partners. This has led to a different thinking and an entrepreneurial style of running the organization. Instead of shutting down services that make permanent deficits, Hephata is taking responsibility for the

employees by checking the innovation potential that is available within the organization. And innovations have become a central part of Hephata.

*“[...] we live from innovations, we make our money with new offerings. Clearly, if something is copied by many others, there is a price competition and the conditions diminish. If one can act with something new, the margins are much comfortable; this is why we always have to be in front, to keep an advance to the others. Then we have one, two, three years time to earn good money from it until the others copy this and then we have to have an advance in other fields. [...] The discussion of efficiency is necessary but it doesn't help out of the ailing system of social aid. Whether one wants to make a breakthrough, one has to position with really innovative concepts, totally new ideas that are above the trend.”*

For constantly initiating new programs, it helps Hephata to have a solid revenue stream and significant power due to the size of the organization. Hephata then is an innovator, the creator of new ideas and the initiator of these ideas in reality. At the same time Hephata is permanently scanning the social sector for new organizations coming up with innovations. Sometimes the ideas will be adopted and adjusted and – if successful – disseminated. The executives see this as a central point in the strategy of Hephata. And the new ideas coming up are not from the board only. Often normal employees bring forward new project ideas. Often starting small-scale, projects costs of e.g. 50.000 Euros can be compensated easily. Risk leveraging is possible for Hephata. One example of a successful innovation is attended parenthood, where disabled parents who have a child get assistance. A small profit each year is important to have flexibility in reinvesting in new ideas and in organizational growth. Also cross-subsidizing is practiced by Hephata. Some fields were financed because of image and marketing considerations. For example, a curatorive child day-care centre is deployed to introduce young people as early as possible to the organization. Another service are schools. These make deficits continuously. This is predominantly due to the law which is conceptualized in regard to expected losses of schools.

The decision-making processes within Hephata are very quick in comparison to the slowness expected due to the size of the organization. That helped to transform the organization very quickly within the last decade and keep the organization acting flexibly. The successes of the past helped the board to convince internally and externally with new ideas. But this does not mean that no discussion takes place. Most important to Hephata are good working relationships that facilitate a climate of constructive dispute.

*“[...] even if we are sometimes itching to get to a decision very quickly, we realize that the time we think we might be saving now will have to be invested later because we have not made the decision well and do not carry it together.”*

## Findings and Discussion

The organizations we present here are all classic nonprofit service providers. All of them have more than 100 years of organizational history. From a development stage perspective, all of the organizations analyzed belong to the group of mature and also big organizations in comparison to the normal size of other organizations in the field. Interestingly, the presented organizations were all structured as a holding company. This has been promoted by structural changes of the welfare state and the social and charitable law, tariff and fiscal reasons, and a development towards markets, i.e., offering services that will

be purchased by third parties to gain independence from volatile and constantly shrinking governmental funds.

### **Social Goal Orientation**

The cases are social service providers active in the Third Sector. Their social goal is to foster the inclusion of marginalized groups into society. To pursue this task is becoming harder in times of shrinking governmental funding. In this respect the cases show increased features of hybridization in terms of commercialization and earned-income strategies. Cross-subsidizing for services is a common feature. Loss-making organizational units are supported by profits from other units when they are closely related to the mission. Sometimes cross-subsidization can also be expected to be done for the intent of entering and developing new markets. In sum, these measures help to stabilize the organization.

### **Earned-Income Strategies and Being Business-like**

In recent years the organizations have undertaken considerable effort to find new opportunities to generate earned-income. New organizational units are often evaluated against their potential for being funded independent of governmental funding structures. This has changed the character of the services. Often we find activities that would be classified as work-integration, generating income from the sales of products and services produced by disabled people, offering these groups spaces for inclusion and participation. What is more, to balance social mission with financial monitoring, the managerial board contains a mix of at least one commercial director and one clerical director. Stiftung Liebenau also employs a lawyer as a third managerial director. Hence, financial monitoring introduced business styles into the organizational operations. Sometimes loss-making units are closed, while cross-subsidizing is limited to specific tasks.

### **Innovativeness**

Changed government funding patterns have hit the organizations analyzed since the mid-1990s. Furthermore, there was a great pressure to separate charitable and commercial activities into specific organizational units. These changes forced the entrenched organizations to be more innovative. And most of the innovations were created with a hybrid character, combining social goals and commercial and/or economic means. The independence from the state funding has now somehow turned to greater dependence on volatile markets, which force the organizations to be more flexible, competition-oriented and customer-oriented.

A high degree of innovativeness could be detected for all of the cases; but especially the Stiftung Liebenau and Hephata are avant-garde in their field, while the Rummelsberger Dienste are struggling with an executive scandal in the recent past. Innovation in those entrenched organizations seems to be different from innovation of start-ups. The specific innovative moment is neither the founding act nor the unique idea that led to the organization's founding. What we found here is a continuous innovative process.

### **Proactiveness**

The organizations do not wait for new funding cuts to occur or markets to change. They actively seek out new business opportunities and monitor their environment regarding

important changes. The organizations do not stop being innovative, but rather come up with new ideas and implement them on a regular basis. This is normal business to them and necessary to survive. Interestingly, new ideas do not come exclusively from board members. Even more, the organizations have developed an innovative climate to stimulate employees to come up with new ideas. This is a clever strategy to overcome functional unit thinking and to increase motivation. A good organization is allocating innovative forces in a decentralized way.

This proactiveness in searching for money-making strategies is a means to survive and to generate funds for future investments. Though cross-subsidizing is not a favoured option, entering new markets is a reason to do so. Most interestingly, new markets are developed outside of Germany. Although service providers are often viewed as nationally bound, internationalization is a common strategy for these organizations, at least to leverage the risk of national legislation changes.

### **Risk-Taking**

What helps most for initiating innovations continuously is a strong financial basis. A failed innovation or project will not cause the shutdown of the whole organization. As postulated in the literature, a big organization can use its infrastructure, funds and knowledge to help reduce the risk of being innovative. As pointed out by one executive, a failed implementation of a new idea can be compensated for because a successful new idea can be spread to many sites quickly to generate profits. Anyhow, implementing new ideas and being continuously innovative increase the risk of causing too many failures which devour the financial basis piece by piece.

We conclude that the cases presented can be seen as social intrapreneurship, but not focussing on a single person being the social intrapreneur. Rather the structuring and management style of those organizations lead to the spread of innovation power among the whole organization. What astonishes more is the fact that all of these organizations were Christian-based, where one would not expect innovative decision-making processes being available. Rather one would think these organizations would be inflexible and deadlocked.

## **Conclusion**

In this paper we presented the cases of three Christian-based non-profit organizations in the service-providing field to analyze their intrapreneurship power. On the basis of an extensive literature review, our analytical framework included the following criteria: social goal orientation, earned-income strategies/business-likeness, innovativeness, proactiveness, and risk-taking.

It is most important to stress that two innovation drivers could be identified. One is the challenge of changing government policies and shrinking government funding, which is acknowledged as a driving force behind turning many nonprofits into more efficient and earned-income driven corporations, as the early literature on social entrepreneurship has stated (e.g. Weisbrod 1998, Emerson and Twersky 1996). What is more, we have seen that the

conceptual dividing line between innovativeness and earned-income models is really thin (Defourny & Nyssens 2010).

But furthermore we find newly founded organizations to be an innovation driver for entrenched organizations. Nevertheless, the presented cases show that these organizations do not wait for innovations to be initiated by other organizations. They become more innovative in their structures and processes as well as their products and services independent from other forces. Thus, a proactive innovation climate can be detected in those organizations as well as a proactive search for market opportunities especially in an international perspective. Appropriate monitoring instruments are implemented to screen the environment for relevant changes.

For social entrepreneurship research there are at least two tasks ahead. The first task is to bring the innovative, flexible behaviour of entrenched organizations (social intrapreneurship) back into focus and to overcome the speculation that all entrenched organizations are unresponsive and inflexible (Dees 1998). Second, research needs to find a qualitative value for innovation. This means differentiating between a stronger type of innovation and a weaker one. That would mean to differentiate the innovative potential of an organization in regards to the fulfilment of their social goals. The strength and potential of an organization for social innovation needs to be measured.

Often these older non-profit organizations do even more than just service provision and bringing forward new services in the service-providing field. What were also interesting to see are the advocacy and communication structures internally and externally. This function is not recognized by social enterprises of a new type. Like Defourny and Nyssens (2010: 45) said: "...[S]ocial enterprises, unlike some non-profit organizations, are normally neither engaged in advocacy, at least not as a major goal, nor in the redistribution of financial flows (as, for example, grant-giving foundations) as their major activity; instead, they are directly involved in the production of goods or the provision of services on a continuous basis." The cases presented here were very active in advocacy work as well as in contributing information to legislative processes.

Researchers should come up with more cases on social intrapreneurship, and a more elaborated analytical framework for doing so should be developed. An interesting starting point for investigation might be our table of definitional criteria and the attempt to analyze social intrapreneurship in nonprofits regarding earned-income, innovativeness, proactiveness and risk-taking. Complementary to that, these features should be tested with the same indicators as start-ups for comparison purposes. This might help to get to a better understanding of different types of social entrepreneurship.

The use of role models might also be helpful. A starting point here could be Ralph M. Kramer's (1981) functional role model. The heterogeneity of the field can be seen better then, and the dividing lines between different organizational models can be overcome. There is no reason to overemphasize newly founded organizations. It is more adequate to keep in mind transformations and the contributions of well-established organizations. Those are the major players that should not be neglected and should be more portrayed regarding their role in a broader environment where institutional changes occur permanently. As a result one could better cluster the field and see the overlap among the roles, and thereby stop underestimating some organizational forms among others.

During this battle, older organizations are in danger of being overlooked in the landscape, but research has to recognize those players even more as being innovative and draw a broader and more realistic picture of innovative behaviour. We wanted to show that social intrapreneurial behaviour of entrenched organizations is available, should not be overlooked, and is worth investigating.

Therefore we suggest that further research should focus on:

- Strive for clarity on the term social intrapreneurship.
- What does innovation mean in relation to intrapreneurship? Are there other forms of innovativeness that can be distinguished? Do the different forms of innovation show coherence? Do they differ in terms of the way they emerge?
- What role does risk-taking play in the field of social innovation? Older organizations might have an advantage due to risk-leveraging through income streams from other services.
- What exactly is the relationship between start-ups (founding) and entrenched organizations (transforming) within the field? What are the important criteria and dimensions here? Can we find isomorphism within the field and which type or types? What are the implications for policy makers?
- How strong is the necessity of innovativeness within the third sector? Does innovation serve as the new buzzword? Where does this lead to? Will we lose sight of some important functions due to an overemphasis on innovation?

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## Biographical notes

### ***Björn Schmitz***

Björn Schmitz is working as a Project Director for the Centre for Social Investment (CSI). He started working for the CSI after studying Business Administration, Sociology, Philosophy and Psychology in Mannheim and Heidelberg. Mr. Schmitz worked six years for the software company SAP before starting his research at the CSI. His research topics are, among others, Social Entrepreneurship, Hybrid Organizations, Social Change and Social Impact Measurement. Currently, Mr. Schmitz is involved in the project “Entrepreneurship in the Social Sphere”. Its aim is to find out more about how relevant social enterprises are, what impact they have and where their limits lie. The project also seeks to find an answer to the question if and how social enterprises fit together with the welfare state.

### ***Thomas Scheuerle***

Thomas Scheuerle works as Research Associate and Consultancy Assistant for the Centre for Social Investment (CSI). He started working for the CSI after studying Economics, Media and Communication Science and Sport Management in Mannheim and Heidelberg. His research topics so far have been the economics of climate change, behavioural economics and corporate citizenship. Mr. Scheuerle currently works on the interdisciplinary CSI research project “Entrepreneurship in the Social Sphere”, where he focuses on scaling, governance and innovation from a meso and a macro perspective. Furthermore he is involved in a consultancy project on strategic impact for a corporate foundation.