The Five Stages of Social Entrepreneurship

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Abstract

What is a broadly applicable framework of the stages of social entrepreneurship (SE)? Practitioners and scholars have continued to discuss definitions, approaches, and perspectives about SE. The aim of this article is to reframe the current discussions by suggesting a framework of the five stages of SE. We use empirical studies on SE across the United States, Bangladesh, Japan, Cambodia, and India to identify the effectiveness of this framework. We propose a "systemic problem" that would facilitate us to reframe and progress current discussions of SE. This article provides a more solid basis for identifying the concept and the definition of SE. It gives ample room for future researchers to utilize our work. The originality of this article is to reframe current discussions of SE by introducing the five stages of SE, including the systemic problem and Theory of Change (ToC).

Keywords: social entrepreneurship, systemic problem, theory of change, systemic change, the third sector
Introduction

It would be safe to say that the third sector, i.e., the citizen sector, is very young compared to the first sector or the second sector. The third sector is approximately 40 years old in 2016 because it began in the mid-1970s (Defourny, 2001). It is commonly noted that the third sector is less powerful than the first sector, which has its political power backed by laws, or the second sector, which has economic power. Very recently, the third sector's capability to have empathy for marginalized people for social inclusion and to provide creativity to solve social problems has been noticed. However, the third sector is still very weak; for example, this is due to unsophisticated management skills, little job creation capacity, and mistrust from people in the first sector and the second sector.

How could the third sector be stronger? If the third sector attains professional management skills and is good at using market forces to solve social problems, the sustainability of nonprofits would improve; the third sector would be more trustworthy from the first sector and the second sector. This is why social enterprise is expected to be a factor to strengthen and improve the third sector.

On the other hand, economic inequality is growing globally (Piketty, 2014). Therefore, human security is in peril. For example, poverty and social exclusion spread because of welfare cuts or refugee crises in many parts of the world. In view of this situation, people in the first sector and the second sector feel deeply at a loss; now, expectations for the third sector are growing rapidly.

Social entrepreneurship (SE) as a field of research is a relatively recent phenomenon (Mair, Robinson, and Hockerts, 2006). Although SE is continuously spreading among practitioners and researchers around the world, the stages of SE are not sufficiently researched.
This is why researchers and practitioners are not sure how to build a capacity of social enterprise methodologically.

It is true that some successful social enterprises, such as Grameen Bank, achieve systemic change and contribute to human security through empowering disadvantaged people. Teach For America (TFA) is a notably successful case in the social sector. TFA defines its systemic problem as the education gap. TFA recruits excellent graduates from top universities in the US. Then, the TFA teachers empower many students in public schools or charter schools in low-income areas. Some students are able to enter the best colleges or universities in the US. After their graduation, young people whose role models are the TFA teachers hope to return to their poor communities to tackle the education gap by becoming new TFA teachers. TFA has a Theory of Change (ToC) to lead TFA staff members and supporters that shows its social impact qualitatively and quantitatively. However, unlike TFA, many other social enterprises demonstrate little results and have financial difficulties on a self-employed scale. The current management status of many ordinary social enterprises is not good. Some of them have a high risk of closing down soon. They have a weakness for building capacity and difficulty spreading empathy for their organization. Why does the gap between successful social enterprises, such as TFA or Grameen Bank, and many other weak social enterprises exist? How can we practitioners and researchers fill the gap?

What is currently lacking is a capacity-building methodology of SE for practitioners to achieve systemic change and for researchers to analyze that change. Therefore, a capacity-building methodology of social enterprises is crucial. This methodology also works for social investors to make social investment more effective to pursue a sustainable society.

The research question is to define the five stages of social entrepreneurship and to
research their effects on social entrepreneurship development.

This paper is structured as follows. In Theoretical framework (1), we see debates on Definitions (1.1), Approaches (1.2), Perspectives (1.3), and Theory of Change (1.4); we find that current definitions and stages of SE are lacking the element of "systemic change" and Theory of Change. In the Five Stages of Social Entrepreneurship (2), we propose the Definitions of the stages (2.1), their application to sampling seven cases (2.2), and the Results (2.3). If we embed the systemic problem, Theory of Change, capacity building, and systemic change to the stages of SE, we find that the current debates can be reframed. We hope this article will inspire practitioners and researchers to classify and generalize. Finally, we summarize the findings and room for future research in the Conclusions.

1. Theoretical Framework

1.1 Debate on Definitions

The concept of social entrepreneurship means different things to different people (Dees, 1998). Practitioners and researchers created many definitions of SE, and it was welcomed at first (Mair, Robinson, and Hockerts, 2006). However, many scholars continue to discuss these definitions and summarize the terms related to SE. Huybrechts and Nicholls (2012) state that social entrepreneurship is the dynamic process through which a specific type of individual, deserving the name of "social entrepreneur," creates and develops an organization that may be defined as a "social enterprise." In Table 1, we share definitions of social entrepreneurship that Mair and Marti (2004) summarized.
Here, we do not find definitions of SE that include a "systemic problem." What is a systemic problem? We define it as a problem derived from the overall social system, the root cause of inequality, human insecurity, or a crisis of global sustainability. Why is the systemic
problem significant to practitioners and researchers of SE? It helps us to think big to grasp and tackle social problems effectively. "As our world continues to change rapidly and become more complex, systems thinking will help us manage, adapt, and see the wide range of choices we have before us. It is a way of thinking that gives us the freedom to identify root causes of problems and see new opportunities" (Meadows, 2008). Thanks to the systemic problem, we can question not only viewable phenomena but also the root cause. The systemic problem is the starting point of a social enterprise.

We define social entrepreneurship as a process from a systemic problem to systemic change by utilizing market forces and building capacity through social innovation.

1.2 Debate on Approaches

Europe and the US have contextual differences regarding social entrepreneurship. There are two schools of thought in social entrepreneurship research: the "social innovation" school and the "social enterprise" school (Defourny and Nyssens, 2010; Huybrechts and Deffourny, 2010). Dees and Anderson (2006) define the "social innovation" school as follows: "The use of the term 'social entrepreneurs' to describe innovators pursuing social change helped to reinforce the idea that social entrepreneurship needs not to be framed in terms of income. It could be more about outcomes, about social change." On the other hand, the "social enterprise" school focuses on nonprofit organizations increasingly looking for new resources from the market and seeking to adopt more efficient and market-oriented behaviors (Huybrechts and Deffourny, 2010).

However, we do not find a definition that includes a "systemic problem" in either school of thought. We should respect contextual differences between Europe and the US, but we assume that social innovation or social enterprise commonly is generated from the systemic problem.
Therefore, despite the differences in the historical landscapes between Europe and the US, we believe that the systemic problem contributes to reframing the controversy and converging the two schools of thought.

1.3 Debate on Perspectives

We reviewed the literature of entrepreneurship processes from a nonprofit perspective and from a commercial entrepreneurial perspective. From a nonprofit perspective, the stages of social entrepreneurship were defined as follows: Mission Statement & Opportunity -> Innovation -> Product/Services & Relations -> Business Model Definition -> Social Outcomes -> Social Transformation (Perrini and Vurro, 2006) or Opportunity identification -> Opportunity Evaluation & Exploration -> Opportunity pursuit (Robinson, 2006). On the other hand, from a commercial entrepreneurial perspective, we see the literature as follows. The "crossing the chasm" framework (Moore, 1991) suggests a technology adoption lifecycle, which is expanded from Diffusion of Innovations theory (Rogers, 1962). Lewis & Churchill (1983) identify "The Five Stages of Small Business Growth:" (1) Existence, (2) Survival, (3) Success, (4) Take-off, and (5) Resource Maturity. Eckhardt and Shane (2003) clarified the role of opportunities in the entrepreneurial process. Moroz and Hindle (2012) tried to discover generic and distinct insights about entrepreneurship as a process, but these have not been adequately addressed within their entrepreneurship research.

These frameworks of the entrepreneurship process look useful for practitioners and researchers of SE, but we still cannot find an element of the systemic problem in any of them. The utilization and generalization of the above frameworks for the SE area is limited.
1.4 Debate on Theory of Change (ToC)

The Theory of Change (ToC) became popularized by the Aspen Institute.\textsuperscript{1} Weiss (1995) states that "tracing developments in mini-steps, from one phase to the next, helps to ensure that the evaluation is focusing on real effects of the real program and that the often-unspoken assumptions hidden within the program are surfaced and tested." Taplin, et al. (2013) define ToC as follows: "At its heart, Theory of Change spells out an initiative or program logic. It defines long-term goals and then maps backward to identify changes that need to happen earlier (preconditions). The identified changes are mapped graphically in causal pathways of outcomes, showing each outcome in logical relationship to all the others. Interventions, which are activities and outputs of any sort, are mapped to the outcomes pathway to show what stakeholders think it will take to effect the changes, and when." We assume that ToC would be compared to a "backbone" in a human body. If we lack a "backbone," we will be an "octopus." However, many social enterprises or nonprofits still lack ToC in their organization currently. On the other hand, leading social enterprises, such as Teach For America, define a ToC and share it internally and externally. They utilize the ToC as their roadmap, share an understanding of their systemic problem, and spread empathy among their multistakeholders. We can say ToC is working as their "backbone."

Table 2. Theory of Change Diagram
ToC requires "backwards mapping" from the "Ultimate Outcome" and the "Vision/Long-Term Outcome" (Taplin, et al., 2013)(Table 2). We assume the "Ultimate Outcome" is equivalent to the "Massive Transformative Purpose (MTP)" of exponential organizations that Ismail et al. (2014) define. Then, ToC is effective not only to summarize the many outcomes and interventions related to a social enterprise and to share organization direction with members internally but also to ask outside stakeholders to collaborate with the social enterprise. ToC is a communication tool because in the ToC diagram, stakeholders can find many boxes (i.e., outcomes) and reasons to join the social enterprise's project. With ToC, social entrepreneurs and multistakeholders can face their systemic problem and tackle it collectively.

The ToC and Logic Model (LM) have similarities because both aim to summarize social enterprises’ projects and pursue outcomes. Carman (2009) criticizes the LM as having four flaws: (1) unstandardized treatment, (2) confusion among targets, (3) coverage, and (4) intensity. In contrast, Forti (2012) warns of six pitfalls of ToC: (1) confusing accountability with hope, (2) creating a mirror instead of a target, (3) failing to take the external context into account, (4) not
confirming the plausibility of your theory, (5) creating a theory that is not measurable, and (6) assuming you have figured it all out.

Clark and Anderson (2004) state that ToC and LM are different tools, and we should tell them apart. They argue that the LM of the United Way format is most widespread. A LM graphically illustrates program components and helps stakeholders clearly identify outcomes, inputs, and activities. On the other hand, ToC is less standardized but has core components. ToC links outcomes and activities to explain HOW and WHY the desired change is expected to come about.

ToC is critical for social enterprises to have a "backbone," spread empathy in society, and obtain outcomes. We should note that we have to think big to define the "Ultimate Outcome" or the "Vision / Long-Term outcomes" in creating a ToC. We should avoid creating a ToC narrowly in order to receive a subsidy from a government with small thinking, which will lead to an undesirable and ineffective ToC; we assume that action would not be a correct utilization of ToC.

2. The Five Stages of Social Entrepreneurship

2.1 Definitions of the Five Stages

Social entrepreneurship comes from a systemic problem and aims at systemic change. However, in the Theoretical framework (Sections 1.1 - 1.3), we could not find elements of a systemic problem in the literature of SE definitions, approaches, and perspectives. In Theory of Change (Section 1.4), ToC is a "backbone" and is indispensable for a social enterprise that pursues systemic change.

We propose a framework of "The Five Stages of Social Entrepreneurship" to classify and
generalize many pieces of management information about social enterprise. Unlike previous researchers of the entrepreneurship process, "Defining Systemic Problem" is the beginning, and "Achieving Systemic Change" is at the end of this framework, which reframes previous research literature and practices (Table 3).

We define the five stages of SE as follows. We summarized the definitions (Table 4).

Table 3. The Five Stages of Social Entrepreneurship

<table>
<thead>
<tr>
<th>Stage</th>
<th>Definition</th>
<th>Success factor to move on to next stage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Defining Systemic Problem</td>
<td>Systemic Problem is a problem derived from the overall social system, e.g., the root cause of insecurity, a crisis of global sustainability.</td>
<td>Opportunity to create social enterprise generated</td>
</tr>
<tr>
<td>Individualizing Enterprise</td>
<td>Individualized Activity is an activity by the founder (or, co-founders) of a social enterprise solely. (e.g., weak brand, low capital, or professional immaturity)</td>
<td>Strong leadership of the founder generated</td>
</tr>
<tr>
<td>Organizing Enterprise</td>
<td>Organized Activity is an activity by a team of the social enterprise utilizing Theory of Change (ToC). (e.g., vision and mission shared by ToC, quality development, alliancing)</td>
<td>Strong and professional teamwork to tackle systemic problem</td>
</tr>
<tr>
<td>Socializing Enterprise</td>
<td>Socialized Activity is an activity by stakeholders in society who strive to solve the systemic problem collectively. (e.g., multi-stakeholder engagement, shared estimation, policy proposal)</td>
<td>Ecosystem, Collective Impact, Impact Investing, Legislation</td>
</tr>
<tr>
<td>Achieving Systemic Change</td>
<td>Systemic Change is a fundamental change at the level of social system, which prevents or alleviates the systemic problem per se.</td>
<td>Sustainability and social resource circulation getting realized</td>
</tr>
</tbody>
</table>

Table 4. Summary of Definitions of The Five Stages of Social Entrepreneurship
Stage 1: Defining Systemic Problem is stating a problem derived from the overall social system, e.g., the root cause of inequality, human insecurity, or a crisis of global sustainability. A systemic problem is generated from the gap between public services, which are defined by current laws and private needs that are sometimes beyond the assumptions of current laws. Marginalized people have little opportunity to express their needs to society and fix the social system; the poor lose the most. For example, in the literature, McChesney (1990) states that family homelessness is a systemic problem. She assumes the low-income housing ratio to be the root cause of family homelessness. Or, as a typology of a social entrepreneur, Zahra et al. (2009) proposes the concept of a "Social Engineer." They address that social engineers identify systemic problems within social systems and structures and address them by bringing about revolutionary change. Implicitly or explicitly, social entrepreneurs start their social enterprises by recognizing a systemic problem. The opportunity to create a social enterprise is generated.

Stage 2: Individualizing Enterprise is an activity solely by the founder (or, co-founders) of a social enterprise. In many cases, social enterprises are established by a single social entrepreneur. She/he devotes her/his best to start and sustain the social enterprise in spite of a weak brand, low capital, or professional immaturity. We must note that a strong sense of individuality is needed for a social entrepreneur. For example, a social entrepreneur should define her/his systemic problem, advocate the vision and mission with confidence, and create a management system (e.g., developing membership programs, fundraising, and marketing). If the social entrepreneur feels that she/he does not have a strong sense of individuality and is not qualified, she/he should quit the social enterprise because it is good for both the social entrepreneur and clients/beneficiaries. If social entrepreneurs co-found their social enterprise, a
strong sense of individuality is required for each co-founder, although they start as a team. On the other hand, an individual activity is very fragile. In this stage, the social entrepreneur becomes a dictator in a sense; she/he occupies all of the information in the social enterprise and sometimes will not disclose even when transparency is expected from its stakeholders. Other members feel puzzled, and sometimes this will lead to relationship trouble with the stakeholders, eventually leading to financial trouble for the social enterprise. It is difficult for a single social entrepreneur to sustain for years and grow her/his social enterprise. Therefore, after being qualified to have strong leadership and obtain appropriate management resources, the social entrepreneur should move on to the next stage.

Stage 3: Organizing Enterprise is an activity by a team of the social enterprise utilizing ToC. Through ToC, the vision and mission are shared with internal members of the social enterprise and external stakeholders. An organized team seeks to hire the right people, to lead quality development, and to spread understanding about the systemic problem and the story of the social enterprise. To organize a team, the social entrepreneur should organize information about the social enterprise; basically, all information should be shared with team members effectively by cloud software (e.g., Google Apps2, Basecamp3, and Chatwork4). At this stage, dictatorship should be avoided, which we see in the stage of Individualizing Enterprise. If a dictator appears on an organized team, the team is harmed in the growth of the social enterprise. If the founder quits the social enterprise and soon the enterprise is closed even though it has many staff members, we define it as in the stage of Individualizing Enterprise; we assume that the founder actually was a dictator. Therefore, just building a team is not enough. Social entrepreneurs should utilize ToC, enthusiastically share their information internally and
externally to harness empathy, create alliances, and grow their social enterprise as a team. Strong and professional teamwork is generated to tackle the systemic problem. Then, social entrepreneurs can move on to the next stage.

**Stage 4: Socializing Enterprise** is an activity by multistakeholders in society who **strive to solve the systemic problem collectively**. Actually, a social enterprise with only ToC still cannot have much social impact to society. Social entrepreneurs are expected to socialize their enterprise. Therefore, for example, an ecosystem with multistakeholder engagement, social impact estimation, impact investment, and policy proposals would be aimed at this stage of Socializing Enterprise. Bloom and Dees (2008) state that social entrepreneurs not only must understand the broad environment in which they work but also must shape those environments to support their goals when feasible, and they offer an ecosystem framework to help social entrepreneurs create long-lasting and significant social change.

If a social enterprise shares its ToC or Theory of Action (ToA) with multistakeholders in society as a "backbone" of their socialized project, they would be able to start Collective Impact. StriveTogether is one of the most advanced examples of Collective Impact. The White House introduced it in a white paper (Jolin et al, 2012). StriveTogether shares its ToA with its multistakeholders in the community, and if they agree to the ToA, then they have to sign the ToA of StriveTogether to join the Collective Impact to solve their systemic problem of the education gap. This collective approach is crucial for social entrepreneurs and multistakeholders to tackle a systemic problem.

Borgman-Arboleda (2012) explains the differences between ToC and ToA as follows: "A Theory of Action differs from a Theory of Change in that a Theory of Change identifies all the
processes through which change is expected to occur, while a Theory of Action is more focused on a specific pathway and an organization's role in achieving a particular change."

**Stage 5: Achieving Systemic Change** is realizing a fundamental change at the level of the social system, which prevents or alleviates the systemic problem per se. Imagine a world where we do not have to say “fair trade” because all trades are fair; or, a world where we do not have to say “universal design” because all designs are universal. Thanks to the efforts of social entrepreneurs, if the education gap, gender gap, or other systemic problems are prevented or alleviated, then systemic change would occur. Senge et al. (2007) state that true systemic change means enacting new ways of thinking, creating new formal structures and, ultimately, transforming relationships. Ashoka (2015) identifies the 5 most common patterns of systemic change: (1) Market Dynamics and Value Chains, (2) Public Policy and Industry Norms, (3) Business-Social Congruence, (4) Full Citizenship and Empathetic Ethics, and (5) Creating a Culture of Changemaking and Social Entrepreneurship. On the other hand, Gugelev & Stern (2015) propose that social entrepreneurs should define the "endgame." It would provide responsible exit strategy planning for social entrepreneurs.

### 2.2 Case Studies

Seven cases were chosen to meet the following criteria. They are widely regarded as successful examples of social entrepreneurship. They are from multiple regions, including the US, Bangladesh, Japan, Cambodia, and India. They have been described in the available literature sufficiently to answer our key questions. On-site interviews were available with Teach For America (2011, 2012, 2013, 2014, 2015, 2016), B Lab (2011, 2012), Kamonohashi Project
2.2.1 Teach For America (TFA)

"To live into our Theory of Change, we had to do three things," says Teach For America founder Wendy Kopp: "Increase scale, increase teacher impact during the two years [that corps members commit to teach], and increase the impact of our alumni." As Kopp explains, the story of Teach For America's growth over the past 25 years is not just a story about increased scale. It's also a story of concerted efforts to continually improve how Teach For America recruits, prepares and supports both corps members and alumni—from the first contact on a college campus and throughout their careers—in order to maximize their impact on both the children they teach and the broader education system (Mead et al, 2015).

- Country: the US
- Field of work: Learning/Education
- Founder(s): Wendy Kopp
- Established: 1989
- Organization type: Nonprofit organization
- URL: https://www.teachforamerica.org/

Table 5. The Five Stages of Teach For America
2.2.2 B Lab

B Lab stated in 2014, "Our theory of change: we are leading a global movement of entrepreneurs, investors, and consumers with one unifying goal… redefine success in business. So that all companies compete to be not only the best in the world but the best for the world." They certify B Corporations, do policy proposals for benefit corporation legislation, and provide GIIRS Ratings for impact investing.

- Country: the US
- Field of work: Economic Development
- Founder(s): Jay Coen Gilbert, Bart Houlahan, and Andrew Kassoy
- Established: 2006
- Organization type: Nonprofit organization
- URL: https://www.bcorporation.net/

Table 6. The Five Stages of B Lab
### 2.2.3 Grameen Bank

Grameen Research identifies the "Grameen Methodology\(^9\)" that "the social capital model allows the poor to bind together on a community level, while also being self-regulating and self-sufficient. This reduces the need for borrower oversights and promotes shared knowledge that can lead to entrepreneurial success. The Grameen Method also places the onus of screening and monitoring onto the borrowers themselves and thus decreases the cost of implementing a program." However, despite the "Method of Action\(^{10}\)" of Grameen Bank being defined, the ToC of Grameen Bank is not currently confirmed.

- **Country:** Bangladesh
- **Field of work:** Human Rights
- **Founder(s):** Muhamad Yunus
- **Established:** 1983
- **Organization type:** Nonprofit organization (1983-2002), Corporate bank (2002-)

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<tr>
<td>B Lab status</td>
<td>Jay Coen Gilbert, Bart Houlahan, and Andrew Kassoy discovered need for the B Corp.</td>
<td>They founded B Lab and developed the B Impact Assessment in 2006.</td>
<td>B Lab utilized ToC, GIIRS, IRIS and benefit corporation legislation were realized.</td>
<td>The B Corporation movement spread globally. 1,752 B Corporations, 50 Countries, 130 Industries.</td>
<td>Definition of good company is being changed from “best in the world” to “best for the world.”</td>
<td></td>
</tr>
<tr>
<td>Success factor to move on to next stage</td>
<td>Opportunity to create B Lab generated</td>
<td>Strong leadership of the founders generated</td>
<td>Strong and professional teamwork to develop B Lab</td>
<td>Ecosystem to harness the B Corp spread in US, Canada, Europe, Australia, etc.</td>
<td>The B Corps all over the world aim for sustainable society by declaration and certification.</td>
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Table 7. The Five Stages of Grameen Bank

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<tr>
<td>Grameen Bank status</td>
<td>Prof. Muhammad Yunus discovered the gender economic gap.</td>
<td>He started research project in a rural area and launched Grameen Bank.</td>
<td>Grameen bank was authorized by the Bangladesh government and developed microfinance. However, its ToC is implicit.</td>
<td>By 2006, Grameen Bank branches numbered over 2,100. Microfinance methodology diffused globally.</td>
<td>Grameen Bank explored new option for disadvantaged people, aiming at ending poverty.</td>
</tr>
<tr>
<td>Success factor to move on to next stage</td>
<td>Opportunity to create microfinance institution generated</td>
<td>Strong leadership of the founder generated</td>
<td>Strong and professional teamwork to tackle the gender economic gap</td>
<td>Ecosystem for marginalized people generated by Grameen bank.</td>
<td>Multiple microfinance institutions gather money from small investors in developed countries.</td>
</tr>
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2.2.4 Kamonohashi Project

"Kamonohashi (Kamo) was founded in 2002 with the mission to create a world without sex trafficking and exploitation as well as to prevent vulnerable women and children from being trafficked. Kamo's mission of combating sex trafficking is the primary incentive for Kamo's activities. It is this mission, Kamo's theory of change and the subsequent model development that influence Kamo's portfolio of activities.

Today, Kamo is present in Cambodia and India, receives support from 3,211 members monthly and 90 corporate members with 500 volunteers and has a total annual revenue of 1.277 Million USD. Revenues come to 44% from membership fees to 22.5% from factory sales and other livelihood activities and to 21.4% from one-time donations. This untied financial source
gives Kamo flexibility to allocate its resources only to impactful programs. It also carries out due diligence strictly in alignment with its mission. Together with its history of redefining and refining the theory of change, these are the strength of Kamo to choose impactful organizations to partner with and to achieve its mission.” (AVPN, 2015)

- Country: Japan, Cambodia and India
- Field of work: Human Rights
- Founder(s): Sayaka Murata, Kenta Aoki, and Daisuke Motoki
- Established: 2002
- Organization type: Nonprofit organization
- URL: http://www.kamonohashi-project.net/english/

Table 8. The Five Stages of Kamonohashi Project

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<tbody>
<tr>
<td>KP status</td>
<td>Sayaka Murata knew about the child prostitution issue in Cambodia.</td>
<td>She, Kenta Aoki, and Keisuke Motoki co-founded KP.</td>
<td>They created ToC to impact the supply side and the demand side of child prostitution.</td>
<td>They established rural factory to create employment (reduce supply) and trained police (reduce demand) effectively.</td>
<td>The Child prostitution issue in Cambodia is almost solved; KP started to move on to India.</td>
</tr>
<tr>
<td>Success factor to move on to next stage</td>
<td>Opportunity to create social enterprise generated</td>
<td>Strong leadership of the founder generated</td>
<td>Strong and professional teamwork to tackle child prostitution</td>
<td>Ecosystem, Collective Impact, Impact Investing, &amp;/or Legislation</td>
<td>KP's social enterprise in Cambodia will be independent from KP HQ.</td>
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2.2.5 United Teen Equality Center (UTEC)

"UTEC's nationally recognized model has been carefully designed to achieve our mission. After 10 years of accomplishments, in early 2010, our entire agency embarked on a
process to develop a theory of change that would guide our work for the coming years. UTEC staff want youth to trade violence and poverty for social and economic success, and we have created a flow of programs that interconnect to achieve just that. The model begins with intensive street outreach and gang peacemaking and then pairs youth with a transitional coach who works with them on a wide set of goals. Youth develop skills in our workforce development program and resume their education through academic classes. Values of social justice and civic engagement are embedded in all programming, with special emphasis on our local and statewide organizing and policy-making work. UTEC also provides enrichment activities for youth so that they have a safe place to enjoy themselves and each other's company when not in school or at work. UTEC's unique model can provide a pathway from the street to the state house for older youth most often overlooked and considered disengaged."

- Country: the US
- Field of work: Human Rights
- Founder(s): Steve Pearlswig
- Established: 1999
- Organization type: Incorporation
- URL: https://www.utec-lowell.org/

Table 9. The Five Stages of United Teen Equality Center (UTEC)
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<tr>
<td>UTEC status</td>
<td>Youth at risk issue is severe in lowell; teen rescue program was crucial.</td>
<td>Steve Pearlswig founded UTEC and started to rescue teenagers involved in gangs.</td>
<td>UTEC created ToC and organized its programs to increase its impact and get support from society.</td>
<td>UTEC is pursuing improvements in recidivism, employment and education by ToC-backed high-performing programs and the supporting community.</td>
<td>Although UTEC programs generate splendid outcomes, the challenge continues.</td>
<td></td>
</tr>
<tr>
<td>Success factor to move on to next stage</td>
<td>Opportunity to create social enterprise generated</td>
<td>Strong leadership of the founder generated</td>
<td>Strong and professional teamwork to tackle youth at risk problem</td>
<td>Ecosystem of UTEC and supporting community is generated.</td>
<td>-</td>
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</table>

### 2.2.6 Figure Skating in Harlem

Figure Skating in Harlem (FSH) is one of the pioneer nonprofit organizations in the US. After graduating Brown University, FSH Founder Sharon Cohen met girls who wanted to learn figure skating in East Harlem. Sharon worked with a group of committed and enthusiastic parents to formally establish Figure Skating in Harlem with education and health as the central focus. FSH has built great teamwork and is supported by not only Olympic athletes, private foundations, corporations and individual donors but also parents and the community. However, ToC is not currently defined on its website. Collective Impact or the ecosystem of FSH is not confirmed. We also cannot confirm systemic change derived from FSH because of a lack of ToC.

- Country: the US
- Field of work: Learning/Education
- Founder(s): Sharon Cohen
- Established: 1997
- Organization type: Nonprofit organization
- URL: http://www.figureskatinginharlem.org/

Table 10. The Five Stages of Figure Skating in Harlem

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>FSH status</td>
<td>Sharon Cohen was asked to teach figure skating in Harlem and found systemic problem with girls there.</td>
<td>She found FSH and developed its program through teaching skating.</td>
<td>(Teamwork is confirmed. However, ToC is not defined on FSH’s HP.)</td>
<td>(Collective Impact or the ecosystem of FSH is not confirmed.)</td>
<td>(We cannot confirm systemic change derived from FSH because of a lack of ToC.)</td>
</tr>
<tr>
<td>Success factor to move on to next stage</td>
<td>Opportunity to create social enterprise generated</td>
<td>Strong leadership of the founder generated</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

2.2.7 Giving Pledge

"[T]he Giving Pledge encourages the world's wealthiest individuals and families to donate a majority of their wealth to philanthropic causes. The group is specifically focused on billionaires (or those who would be billionaires if not for their big-ticket giving) and was initially meant to attract U.S.-based donors… The pledge does not involve pooling any money or committing to any specific cause. It only asks that those who commit to the group give away a majority of their wealth—either while they are alive or in their wills (Lorenzetti, 2016)."

A systemic problem is not currently defined on GP's website. A ToC is also not defined on GP's website. Teamwork by GP members as a whole is not currently confirmed. GP's impact
is spreading globally, but the directions of donations are not disclosed. GP is not collective currently. We cannot currently confirm systemic change derived from GP.

- Country: the US
- Field of work: Economic Development
- Founder(s): Bill Gates and Warren Buffett
- Established: 2010
- Organization type: Charitable organization
- URL: http://givingpledge.org/

Table 11. The Five Stages of Giving Pledge

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>GP status</td>
<td>(A systemic problem is not defined on GP’s HP currently.)</td>
<td>Bill Gates and Warren Buffett created GP, but they ask other donors to join individually.</td>
<td>(ToC is not defined on GP’s HP. Teamwork by GP members as a whole is not confirmed currently.)</td>
<td>(GP’s impact is spreading globally, but directions of donations are not disclosed. Not collective currently.)</td>
<td>(We cannot confirm systemic change derived from GP currently.)</td>
</tr>
<tr>
<td>Success factor to move on to next stage</td>
<td>-</td>
<td>Strong leadership of the founders generated</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

2.3 Results

With the help of seven sample cases in the US, Bangladesh, Japan, Cambodia, India, etc., we examined the applicability of the five stages of SE (Table 12). Now, we can compare the cases and consider what interventions for growth are necessary. We hope practitioners and
researchers find the five stages to be a guide to classify and generalize.

Table 12. The Five Stages of Seven Sample Social Enterprises

<table>
<thead>
<tr>
<th>Cases</th>
<th>Systemic Problem</th>
<th>Individualized Activity</th>
<th>Organized Activity</th>
<th>Socialized Activity</th>
<th>Systemic Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Teach For America</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>B Lab</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Grameen Bank</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Kamonohashi Project</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔ ***</td>
</tr>
<tr>
<td>UTEC</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔ ***</td>
</tr>
<tr>
<td>Figure Skating in Harlem</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Giving Pledge</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*: Satisfied the definition
: Did not satisfy the definition

Conclusions

In this article, our first concern is why the third sector is still weak compared to the first sector, which has political power backed by laws, and the second sector, which has economic power. Social enterprises are expected to strengthen the third sector because they utilize market forces to tackle social problems. However, there is a gap between successful social enterprises and unsuccessful ones; some are achieving systemic change, but others are facing immature management issues and fail to sustain their social enterprise. Therefore, we aim to define the five stages of SE and to research its effects on SE development.

In the Theoretical framework (Sections 1.1 - 1.4), we examined definitions, approaches, and perspectives regarding SE; we discovered that the systemic problem and ToC are lacking or not sufficiently utilized in the field of practitioners. In The Five Stages of Social Entrepreneurship (Sections 2.1 - 2.2), we defined the five stages as follows: 1. Defining Systemic
Problem, 2. Individualizing Enterprise, 3. Organizing Enterprise, 4. Socializing Enterprise, and 5. Achieving Systemic Change. We examined seven sample cases from multiple regions, including the US, Bangladesh, Japan, Cambodia, and India. In the Results (Section 2.3), we compared some cases that achieve systemic change with others that are currently in the stage of "Individualizing Enterprise" because they do not have a defined ToC; these cases have difficulty moving on to the next stages. Eventually, systemic change is not achieved; for example, although Giving Pledge has significant economic power and reputation globally, their social impact is limited in reality because they do not define their systemic problem and ToC; their current stage is "Individualizing Enterprise." Therefore, it would be safe to say that the systemic problem facilitates social entrepreneurs to think big and inquire properly and reframes current arguments regarding SE.

Nevertheless, our research has limitations. The comprehensiveness of the framework needs to be further researched. Many new areas for future research exist. Quantitative research, or comparisons by region, country, field of work, etc., of the five stages of SE would be inspiring. In addition, we need to argue what kinds of interventions work for social enterprises to move on to the next stage (e.g., support from an intermediary, such as Ashoka, foundations, pro-bono, company, and government).

We hope that this article will help practitioners to improve the management issues of social enterprises and to progress easily through the framework. Additionally, it would be our honor if this article will enable researchers to define and articulate the growth stages of social entrepreneurship.
Acknowledgments

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