

THE ROLE OF BUSINESS MODEL INNOVATION IN SOCIAL AND ECONOMIC VALUE CREATION IN SOCIAL PURPOSE ORGANISATIONS

BASIC RESEARCH QUESTION

Basic research question is “how does Business Model Innovation (BMI) create social and economic value in Social Purpose Organisations (SPOs)?”. Over recent years SPOs have shifted from relying on philanthropic funding to income generating activities. This has led them to challenge their business models, resulting in the pursuit of conflicting goals of creating both social and economic mission as an opportunity that will transform their organisations to adapt, survive, and grow under competitive conditions. The literature has primarily focused on how SPOs create social value, with limited attention being given to examining how BMI creates both social and economic value.

KEY PAPER(S)

McDonald, Robert E., Weerawardena, Jay., Madhavaram, Sreedhar, and Sullivan Mort, Gillian. (2015) From “virtuous” to “pragmatic” pursuit of social mission: A sustainability-based typology of nonprofit organizations and corresponding strategies. *Management Research Review*, 38 9: 970-991

Gronum, S., Steen, J., & Verreyne, M.L. (2015). Business model design and innovation: unlocking the performance benefits of innovation. *Australian Journal of Management*, 1-21.

MOTIVATION/ PUZZLE

Given the restrictions to obtaining government funds and philanthropic grants, SPOs need to explore potential opportunities, thus developing revenue generation activities through business activities like for-profits. Such business like activities could encourage social mission achievement, since the income generation guarantees financial sustainability of SPOs. yet it's puzzling how SPOs manage the dual tension, fulfil social mission and earn more income.

THREE CORE ASPECTS OF ANY EMPIRICAL RESEARCH PROJECT

THE IDEA

The thesis has two phases of study:

Study I (qualitative phase) will inform and refine the proposed preliminary conceptual model, which was developed using the existing literature.

Study II (quantitative phase) will be to test the predicting relations empirically using the refined model.

THE DATA

Considering the early-stage development of BMI based value-creation literature on SPOs, a mixed-method approach will be used.

The established conceptual framework has been refined based on the qualitative case studies undertaken with SPOs in Brisbane. This phase consisted of ten semi-structured interviews with key informants who represent enterprises in the capacity of CEOs, and managers. The objective is to understand – from the key informant's perspective – the meanings arising in the BMI, strategic management context, and extrapolating emergent meanings to refine the existing business model.

This will be followed by a quantitative, online-based survey of a larger, diverse sample of Australian SPOs. An online, self-administered questionnaire will be administered to a sampling frame of approximately 4,000 CEOs in Australian SPOs.

THE TOOLS

A stratified sample for both study phases will be taken guided by two main bases: a) organisational size and b) diversity of services that SPOs provide (e.g. family support, animal care etc.).

In terms of the data analysis tool for qualitative phase, the interview transcripts were thematically analysed using NVivo qualitative data analysis software.

In terms of the quantitative phase, an online-based survey will be designed using the Qualtrix software package. Structural Equation Modelling (SEM) will be used for the analysis of data in this phase.

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TWO KEY QUESTIONS

WHAT'S NEW

What I am presenting is the insights of the qualitative phase of the study and how it improves the conceptual model which was developed primarily from extant literature.

a) *Research idea*: Findings support our observation that, with the increasingly constrained operating environment SPOs are moving towards more of commercial activities that fund their social objectives. Whilst the social entrepreneurship literature has significantly grown, limited attention is being given to examining how SPOs create both social and economic value through BMI.

b) *Results*: The qualitative data informs refining the conceptual model, revisiting the suggested theoretical relationships and developing measures for new constructs. The study findings led to: a) explore new defining dimensions of existing constructs (e.g. Bricolage), b) define new constructs (e.g. value appropriation) and c) the introduction of novel constructs to the study's conceptual model (replace 'competition to government grants and funds' construct with 'income generation activities' construct).

So far, the study reveals that minimal government financial assistance to SPOs enables the innovation of new income generation ideas and activities through radical or incremental changes to many SPO's business models, leading to financial sustainability.

The findings also suggest that firms with lack of slack resources (such as financial slack and human resource slack) are able to readily mobilise them and pursue opportunities for expansion.

Most SPOs cope well with lack of human resource issue. They reconstruct internal constraints through entrepreneurial bricolage in which social entrepreneurs find solutions for problems more achievable by making critical resources more obtainable and by reducing costs.

SO WHAT

New insights from the study findings are related to the overall model, and the findings, in general support the study's preliminary model.

The findings will make an important contribution to social entrepreneurship literature facilitating future research. Findings will also provide valuable insights to policy planners to map the systematic path for increasing the performances of the SPO sector and also to social entrepreneurs to choose an appropriate growth strategy.

ONE BOTTOM LINE

THE CONTRIBUTION

This study develops and proposes ways that SPOs can ensure financial sustainability, thereby contributing to the existing literature related to social innovation by enhancing understanding on BMI as a meaningful way of ensuring financial sustainability.

This study will make an important theoretical contribution to the field of social entrepreneurship by (a) examining the role of social entrepreneurship in BMI (b) conceptualising and measuring antecedents of the social innovation-based value creation process using both knowledge-based view and social entrepreneurship; and (c) developing a model BMI-led social and economic value creation for SPOs. The study findings will facilitate SPO practitioners in managing the BMI process and policy planning efforts aimed at making SPOs viable.

OTHER CONSIDERATIONS

Target Journals: *Management Research Review*, *Academy of Management*, *Journal of management Studies* and *Journal of Strategic Entrepreneurship*.

Ethics clearance: Ethical clearance has been approved for the qualitative study by UQ Business School.