

## **Social Entrepreneurship: A New Model for Inclusive Recovery in Post-Crisis Situations**

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**Abstract:** In post-crisis situations, people affected by the crisis struggle to recover due to a weak or complete absence of supporting institutional setups. On some occasions, private organizations are active in providing supportive services complementing traditional informal capitalists in filling institutional voids. This has created further challenges and can overwhelm the on-going recovery processes. However, local nongovernmental organizations (NGOs) can be considered as social enterprises, substituting private or informal capitalists' roles to fill the institutional voids in post-war situations. This changing condition allows social enterprises to pursue institutional voids as entrepreneurial opportunities to help war-affected citizens to enter into markets and improve their socio-economic wellbeing. However, it is unclear how social enterprises create new entities, ties and norms to support war-affected citizens to connect them into market and main stream development. Drawing on four cases of entrepreneurial NGOs in eastern Sri Lanka, the paper explores a) how social enterprises forms new entities, branches and ties as supporting organizations and b) how affected people become inclusive in this changing situations. The major finding suggests that NGOs play an intermediary role in post-war eastern Sri Lanka and to make the war-affected citizens inclusive in on-going recovery processes.

**Keywords:** *Social enterprises, Institutional voids, Bricolage, Inclusive recovery, Sri Lanka*

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### **INTRODUCTION**

Every year a significant number of entrepreneurs start new ventures and contribute to employment and economic growth (Shane and Venkataraman, 2000). Because of the importance of entrepreneurship, considerable effort continues to be expended in researching the field of entrepreneurship in numerous ways, one of which is the recent addition of 'Social Entrepreneurship' (SE) that is embedded with a social mission (Mair and Marti, 2006; Smith and Stevens, 2010). SE offers products or services to a desperate group of citizens with a broad range of social problems including social inequality, poverty, and marginalization, and works towards achieving other Millennium Development Goals (Seelos and Mair, 2005). The dawn of social enterprises offers an innovative solution for social problems (Seelos and Mair, 200; Mair and Marti, 2006; Zahra, 2009; Littlewood and Holt, 2015) and creates hybrid logics of practices including social innovation and earned income through adopting business-like strategies (Battilana and Dorado, 2010). However, the scholarship on social entrepreneurial activities in developing countries is limited. In this paper, I argue that SE is a new model for inclusive recovery by considering how NGOs support the poor in creating several supportive organizations to fill institutional voids.

The focus of this paper is on institutional void; a situation where institutional support arrangements for market and other social wellbeing are weak or fail to perform their expected role. Due to the lack of appropriate institutional support for poor and war-affected

people, the shift from NGOs to social enterprises is often active to fill these institutional voids (Mair *et al.*, 2012). With this intention, traditional NGOs become social enterprises as they provide war affected citizens with access to markets and enhance their livelihood development which is widely referred to as an inclusive market (Mendoza and Thelen, 2008; Marti and Mair, 2009; Mair *et al.*, 2012). Typically, recovery after a crisis focuses on the role of foreign aid and local governance for the recovery of the affected people. But, I argue that the way in which local SE fills institutional voids is not only regarding an inclusive market but also supports the socio-economic wellbeing of marginalised people. To date, much of the literature on SE focuses on the multiple logics of organizational practices (Littlewood and Holt, 2015; Kheing and Dahles, 2014; Alvord *et al.*, 2004; Dees, 2001) and how SE differs from commercial entrepreneurship (Austin *et al.*, 2006). Understanding the local institutional arrangements including political economy, local customs and norms in the dawn of SE is imperative in a complex setting as it constitutes local realities.

Hulme and Edwards (1997) argue that NGOs are losing their roots and getting closer to donors and the government, and more distant from the poor which implies that NGOs assign a relatively lower priority to address the problems of the community. In Sri Lanka, as argued by Walton (2008), local NGOs were considered as a 'claim-bearing label', which conforms a certain degree of professionalized and development organizations that receive foreign funding. However, Walton (2008; 2012) further argues that donors' fund makes Sri Lankan NGOs vulnerable to crises of legitimacy that limit the capacity of external funds to meet the needs of the poor. As a result, there is an increasing tendency among local NGOs to register the whole organization or a section of the organization as a limited company to diversify their income sources and to cope with the changing government policies (Weerawardena *et al.*, 2010). For instance, Sarvodaya, the biggest national NGO both in term of its scale of activity and the annual budget, earns 23 percent of its budgets from their own income sources and received outstanding Social Entrepreneurship Award at World Economic Forum in 2014 for its contribution to create sustainable village economy. Similarly, Sewa Lanka has two income generating entities such as Sewa Finance and Sewa Economic Development Company (SEDCO). While Sewa Finance provides financial services for the poor and affected community, SEDCO focuses on fair-trade, value chain investment and small business development services. This shifting of financial dependence on donations to own income generating strategies is considered as a paradigm shift for inclusive development and organizational autonomy (Kheing and Dahles, 2014). Consistent with Flower's (2000) 'integrated approach' for SE, I argue that the backward and forward linkages enhance economic benefits of NGOs and that such investment in the supply chain fill the institutional voids for the commercialization of local NGOs.

The rest of the paper proceeds as follows. Firstly, I give a brief introduction of the context within which NGOs operate in Eastern Sri Lanka. Secondly, I explain how NGOs are increasingly being commercialised and a wider scholarly discussion of SE emerging from non-profit organizations is reviewed in relation to institutional entrepreneurship. Thirdly, the research design and qualitative method adopted in this research are explained. The paper presents the cases and describes how SE creates several entities to support the livelihoods of the affected people. Thereafter, the paper analyses the ways in which NGOs substitute traditional private capitalist services. Finally, the paper concludes with a discussion of the major findings.

## SETTING THE SCENE

Sri Lanka's recent recognition as a 'middle-income emerging market' in 2011 following almost three decades of civil war (ending in 2009) and the devastating Christmas tsunami in 2004 has led to an external funding shortfall. Moreover, the continuous growth rate of five percent maintained over three years does not reflect the recovery of the war-affected districts. The gap between the poor and the rich is widening, and thus national growth is uncoupled with the development of the war-affected regions (Azmi *et al.*, 2013). Such situations have partly made local NGOs consider innovative and strategic responses.

Inequality and social exclusion are growing concerns in former war-zones. And also in these regions of eastern Sri Lanka, the majority of citizens live on less than half a dollar per day (Jayaweera, 2011). The specific location for this study is Batticaloa, a district in eastern Sri Lanka. The population of this district, which is largely composed of Tamils and Muslims<sup>1</sup>, has undergone different hardships and multiple displacements due to civil war<sup>2</sup> and natural disasters, and is a severely depressed part of the country. Their traditional livelihoods were destroyed due to various violent conflicts that took place between state forces (including the Indian Peace Keeping Force) and non-state forces including the Liberation Tigers of Tamil Eelam (LTTE). Those left out of the war were war widows and children who lost their parents because men were the main fighters of the war. The continued low yield of traditional farming in the conflict-ridden agricultural villages due to abrupt changes in the weather pattern partially caused a slow recovery of the affected people (Jayaweera, 2011). As a result, Batticaloa became the poorest district in 2010 (Central Bank of Sri Lanka, 2011).

Another important trend at the national level is the government's lukewarm policy with regard to the NGO sector in Sri Lanka, particularly towards foreign funded NGOs<sup>3</sup>. As a result, International Non-Governmental Organizations (INGOs) reduced their funding to local partners considerably. According to regulations, only NGOs that play a role in tangible development projects are encouraged compared to the NGOs working on peace building, conflict resolution, human rights, minority right issues and advocacy for vulnerable groups<sup>4</sup> (De-Votta, 2010; Edrisinha, 2010; Walton, 2012). NGOs working with software development were targeted more and under the scrutiny of tight control (Edrisinha, 2010, Walton, 2012). Such a low-trust situation considerably restricts external funding of the NGO sectors in Sri Lanka and has caused NGOs to seek alternative income sources.

In the post-civil war setting, people affected in eastern Sri Lanka are deeply frustrated by the lack of opportunities for education and employment. The war and the natural disaster had left many people vulnerable including many orphans and war widows. However, there was a hope after the war officially ended in May 2009 that a post-war setting would create

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<sup>1</sup>Tamils and Muslims in Sri Lanka are ethnic minorities (their proportion of the total population was 15.4% and 9.7% respectively in 2012). Tamils claim that they have been marginalized by the Government of Sri Lanka (GoSL).

<sup>2</sup>The 'three decades' prolonged civil war between the Tamil militant groups, including the Liberation Tigers of Tamil Eelam (LTTE) and the government forces, officially ended in May 2009. The GoSL concluded the final military operation in the east in 2007.

<sup>3</sup>Samath.F. 2011. Sri Lanka: NGOs Face Funding Gap and Government Scrutiny Accessed March 15, 2016 <http://www.ipsnews.net/2011/03/sri-lanka-ngos-face-funding-gap-and-government-scrutiny/>

<sup>4</sup>See new procedure for granting approval to operate projects in Northern Province, Government Circular No. NGO/03/16 July 15, 2010

economic changes and generate more employment opportunities. Government rhetoric with plans such as ‘the Eastern revival’<sup>5</sup> helped to increase this hope. However, when roads and other infrastructure initiatives were implemented, expertise and labour came from outside. The private sectors established tourism and other service sectors including money lending. However, such developments have vastly helped capitalists, politician cum-businessmen and the military to invest in mega projects leaving affected communities away from the mainstream recovery efforts (Azmi *et al.*, 2013). The above changes taking place in Batticaloa are the examples of how few people generate wealth by dispossessing the war-affected poor (Harvey, 2006). People have a feeling of hopelessness and a lack of trust on the benefits of government plans. Therefore, many people including the young seek overseas employment. Unskilled labour migrations via boat to Australia as well as to the Middle East are two examples of recent trends. Therefore, there exists a continuous need for third sector organizations including SE to address the needs of locals as neither the public sector nor the private sector fulfill the needs of all citizens (Weerawardena *et al.*, 2010).

SE is often active due to weak or poor functioning of the state mechanism (Kheiang and Dahles, 2014). Extreme poverty in the conflict areas has led many local NGOs to focus on the livelihoods of the affected people to improve the living capacity of the poorest of the poor (POP). I define POP in this paper as people who were affected by the war or natural disaster, and whose livelihoods were destroyed, and struggle to recover due to private sector domination, unusual weather patterns and the limited skills they possess. In this context, it is considered an important social mission on the part of local populations to assist continuously in building the economic capacity of the people (Bourdieu, 1990). Accordingly, social status of the POP has become epiphenomenon to the economic development. However, though it is at a minimal level, social enterprises create something from nothing for an inclusive recovery.

## LITERATURE REVIEW

### Social Entrepreneurship for Inclusive Recovery

Similar to social-economic development, inclusive recovery may be viewed as an improvement in the social and economic well-being of citizens who have structurally been denied access to opportunities, resources and capabilities (Sen, 1993). SE for inclusive recovery targets outcomes of innovative initiatives for the socioeconomic wellbeing of disenfranchised citizens. I also understand that inclusive recovery is the main goal of the government programmes such as ‘eastern awakening’ after the end of the war. This programme had allocated a significant amount of resources for recovery, support services for the POP, equality of opportunities and empowerment through skill development. However, this programme has failed to deliver the envisioned economic development in post-war situations due to several reasons which I already mentioned in the context section. What is unique about my understanding of the inclusive recovery is the institutional perspective particularly the role of SE for recovery in post-crisis Eastern Sri Lanka. Inclusive recovery allows people to contribute to and benefit from economic growth. According to the Commission on Growth and Development (2008), inclusiveness is defined as a concept that encompasses equity, equality of opportunity, and production in market and

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<sup>5</sup> A government policy targets the recovery of eastern Sri Lanka after the defeat of the LTTE in the East. It includes resettlement of the displaced, regional development, capacity building and socio-economic development.

employment transition. This is an essential strategy for any successful recovery. In this paper, I define inclusive recovery as 'getting back better' after a crisis with the participation of the POP. In this process, the POP including war widows is supported to undertake various productive activities.

Similar to other forms of entrepreneurship, SE also is understood as the nexus of individuals, context and process (Gartner, 1985) - opportunity identification and the creation of new institutions. Shane and Venkataraman (2000) introduce a disequilibrium approach that suggests entrepreneurship is a 'transitory process' that cannot be explained independently from the situations that fundamentally respond to the situational signs of opportunities. In the disequilibrium approach, opportunities for SE are not distributed evenly across the population. Accordingly, to alleviate poverty and for inclusive recovery, I consider institutional voids as opportunity space for social entrepreneurs (Mair and Marti, 2009). Social enterprises are social aim driven economic value creating ventures with an explicit objective of poverty alleviation of a particular section of the poor (Dacanay, 2004). This paper is an attempt to deepen the presence of the entrepreneurship and society relationships in a developing country.

As a young field, SE focuses on its domain with its place in entrepreneurship, institutional theory and other social science fields in order to establish its authenticity which leads to varied meanings depending on the context (Boschee, 1998; Alvord et al., 2004; Dees, 2001; Mair and Marti, 2006). Current scholarship on SE in the non-profit sector has been guided by two different and apparently competing organizational objectives. One such objective is concerned with 'the earn income strategies' for social problems (Dees 2008; Boschee and McClurg, 2003; Weerawardena *et al.*, 2010). The other one is like charitable organizations where SE creates social values (Flower, 2000; Peredo and McLean, 2006). Unlike commercial entrepreneurship, the surplus benefits from business-like activities primarily go to beneficiaries (Austin *et al.*, 2006; Mair and Marti, 2006).

Flower (2000) further notes that the introduction of an integrated approach to SE stresses the importance of various linkages such as backward and forward integrations for the creation of the economic base for local NGOs in addressing social problems. Following Flower (2000), I understand that supply chain investment for supporting the POP in obtaining credit and vocational training as well as marketing arrangements is the base for SEs' earning own income. However, the creation of social enterprise in a complex setting may be understood not only as an earned income strategy but also as the end product of a mission, relationships, emotion and social structure. This recognises multiple influences in the emergence of social enterprise ventures (Gartner, 1988; Mair and Marti, 2006; Di Domenico *et al.*, 2010; Hjorth, 2013). This view also envisages that SE improves social cohesion through greater citizen participation in finding new ways for social problems. Flower's (2000) concept of 'civic innovation', Hjorth's (2013) notion of 'public entrepreneurship', and Mair and Marti's (2006) social movement approach to SE are few examples of this tradition. This approach suggests that the rise of SE should be investigated beyond business-like strategies. Missing from above discussion is the dynamics of SEs in a context of social deprivation to fill the institutional voids.

## **Institutional voids, Bricolage and Institutions**

SE emerges in the context where there are institutional voids (Marti and Mair, 2009; Austin, *et al.*, 2006, Marti *et al.*, 2012). Social entrepreneurs as institutional entrepreneurs engage in altering socio-cultural and regulatory institutions (Mair and Marti, 2009). In order to study how social entrepreneurs identify institutional voids as an entrepreneurial opportunity and to fill that opportunity in low-trust situations, I adopt social bricolage that provides a conceptual foundation for institutional entrepreneurship. The concept was first used by anthropologist Claude Levi-Strauss (1966) to refer to situations where one makes do with the resources at hand for new purposes. Later, this concept has been used increasingly in constrained environments to study entrepreneurial behaviours addressing local needs at a small scale (Garud and Karnøe, 2003; Baker and Nelson, 2005; Mair and Marti, 2009; Di Domenico *et al.*, 2010). This body of literature mainly highlights how social enterprises pursue opportunities for the creation of new enterprises. While Di Domenico *et al.*, (2010) suggest that bricolage is a flexible concept to study the hybrid logics of organizational practices, Baker and Nelson (2005) refer to it as making do by applying combinations of resources at hand to new problems and opportunities, and refuse to enact the limitations dictated by the situations. As social entrepreneurs operate within resource-poor situations, they apply non-traditional methods and use available resources in novel ways to solve social challenges. It is the distinctive nature of the low-trust institutions followed by political and administrative constraints that social enterprises face which is of particular relevance to this paper. Although the influences of institutions on economic activity have been studied by various economists and sociologists, all agree that organizations function in institutional setting in which they are embedded (North, 1990). According to North (1990), institution is viewed as rules of games that include both formal rules such as property rights and informal norms and customs. Bourdieu's notion of 'habitus' is useful for explaining the process whereby a set of norms is manifested in local history, as it is a part of the local structure for practical functions (Bourdieu, 1990). In this sense, history is experienced as a taken-for-granted and continuous production and reproduction - a process of adjustment for everyday individual and collective practices.

## **Young People, Emotion and the field of Social Entrepreneurship**

Unlike commercial enterprises, for SE emotion plays a great role in pro-social behaviour for the wellbeing of a group (Dees, 1999; Thomas *et al.*, 2009). In other words, the motivation for SE that is intended for inclusive recovery involves to an extent the emotional connection and compassion that create a link with a suffering community (Flower, 2000; Goetz *et al.*, 2010). Recently, Roustessari and Troberg (2016) have suggested that cooperatives and local NGOs engage more with young people due to their belongingness and ownership. Upon perceiving others' pain and suffering, young people may experience compassion that eventually motivates them to relieve others' suffering. Compassion is a feeling of deep sympathy for those who are suffered by misfortune followed by a strong desire to alleviate such suffering. I also understand that compassion fosters a more flexible thought process and greater commitment to actions (Miller *et al.*, 2012). However, SE may be partly based on self-interest leading to furthering social power (McClelland, 1994).

I extend the research tradition of SE in a low-institutional setting to put forward a perspective of inclusive recovery after a crisis. To peruse this concept, I pose two sets of questions for empirical analysis in Eastern Sri Lanka. 1) How entrepreneurial NGOs provide support services to fill the institutional voids created in a low-trust setting. 2) How affected

people become inclusive in this changing situation. Flowing from four cases, I answer the first question empirically reviewing various support services offered by NGOs. To answer the second question, I follow the work of entrepreneurial bricolage and emotions to focus on the inclusive process of the POP.

## METHODOLOGY

This paper stems from field research conducted during four years from 2012 to 2014 in Batticaloa, Sri Lanka. For this paper, I used theoretical sampling techniques (Eisenhardt, 1989) to draw cases for detailed analysis based on the insights of the researcher that provides the rationale for the selection of the theoretical sample of four local entrepreneurial NGOs (Strauss and Corbin, 1990). Being an insider and a resident of the district, I had the advantage of gaining more insight into the phenomena that I had already heard of and observed through interviewing people.

The case study method is appropriate for exploring contemporary issues of the rise of social enterprises as institutional entrepreneurs, as the subject requires multiple sources of information. The method also replicates and extends the emerging theory building (Yin, 2011). For this paper, I interviewed key persons in four case organizations, members from eight Divisional Secretariats<sup>6</sup> (DS divisions) and five donor representatives who worked with the said local organizations. Interviews with a particular organization began with experienced personnel, as indicated by its chairperson. Later, I interviewed the chairperson for further clarification, follow-up and an overview of the work and their income diversification strategies. The follow-up interviews were conducted with the chairpersons of the NGOs, as they were knowledgeable of the organizational strategies and direction. Further, some informal interviews took place during dinners, lunches and social events with former and present members of the organizations. These informal meetings proved fruitful in allowing me to understand the work of entrepreneurial NPOs and how they directly supported the survival of the case organizations. Additionally, documents and archival data were collected during the field visit. The author visited the field to observe grassroots level activities and to interview people who had obtained credit for their livelihood, fair trading and marketing centres. Such multiple sources of information allowed for data triangulation and further follow-up inquiry.

**Table 1.** Brief descriptions of sample organizations

Case	Scale of reach	Target group	Supportive institutions formed
P	One DS division	Women(W)	Peace marketing, economic centre
Q	Two DS divisions	Children(C)	regional parent societies
R	Whole district	C	women organizations, development society
S	Three DS divisions	W	small businesses, marketing centres

In order to adhere to maximum variation, the selected organizations had varied focuses, sizes, income-generating activities and different types of supporting services (Patton, 1990).

<sup>6</sup> A DS division is the local administrative unit of a district in Sri Lanka.

As shown in the table 1, organization P was founded in 1994 and worked for the welfare of women who had lost their husbands in the war; the organization had worked with a single International Organization (IO) for more than 20 years. P had developed various strategies to build the economic capacity of the people they aimed to assist, including microfinance, vocational training, marketing centres, regional and peace marketing networks, agriculture and small business formations. Q was founded in 1996 with the aim of bringing normalcy to people who had been displaced in a DS division due to the war in the 1990s; it later expanded to three DS divisions. The organization had 54 parent societies, which aimed to govern preschools and support the livelihood of families who cared for the separated children by providing microcredit and vocational training. Both P and Q originated in areas that had been formerly controlled by the LTTE and reached people throughout the different turbulent contexts. S was established in 1999, and worked with several IOs. It developed several small female enterprises among war-widows and had a marketing centre where the disadvantaged women were the suppliers, producers and owners. R was established in 1998 and was funded by several IOs. R's main focuses included the welfare of separated children, management of IDP camps, education promotions and psycho-socio-economic development programmes, and they provided rebuilding support, psycho-social support and livelihood training. R had created a Women's Organization in each of the DS divisions in the district. Several Village Development Societies functioned under these Women's Organizations.

Two main categories of organizations emerged: youth NGOs (P and Q) and established NGOs (R and S) (see Maheswaran & Brun, forthcoming). The first category consisted of NGOs that had been started by those who had been born into the conflict setting, and had no prior experience with NGOs. For instance, the chairman of Q stated that he had formerly been a member of a militant group that had fought against the government. The youth category consisted of NGOs that were personally exposed to the social problems that people widely experienced, such as alcoholism, overseas migration, marginalization, livelihood and militarization. These personal experiences were crucial in the creation and development of NGOs. In the second category were NGOs that had been formed by those who had had formative experiences in the NGO field. In the case of R and S, the leaders had worked for several IOs before starting their own organizations.

## **FILLING INSTITUTIONAL VOIDS AND INCLUSIVE RECOVERY**

In post-war Batticaloa, a large number of outside private businesses invested in the microfinance sector as there were institutional voids in Batticaloa where affected people in poverty were unable to participate in the market due to the complete absence of supporting institutions to the POP such as micro-finance providers. However, private credit providers dominate local people through allowing over-borrowing and over-indebtedness (Battilana and Dorado, 2010). Without promoting sustainable income generating sources, such credits become a burden to the local people. People often use it for consumption purposes. As an escaping strategy, people get loans from one institution and settle the loans that they obtained from previous providers.

The purpose of NGOs' microcredit facilities was to help the POP increase their bargaining skills without being highly dependent on middlemen's (Mudalali's) pricing. Traditionally, farmers relied on middlemen to access the capital needed for farming and to sell their products, but the middlemen would cream off most of the profit. As Kodithuwakku and Rose (2002) argued, farmers were vulnerable and unable to negotiate a fair price for their products as private capitalists determined the prices of agricultural products because the

farmers were obliged to sell their products to them. Because of this nature of vicious cycle of impoverishment, they soon ran into debt. However, after the war ended, local NGOs came to be considerably substituted with various support services offered by private capitalists. Entrepreneurial NGOs as institutional actors leverage resources to create new institutions or transform existing ones (DiMaggio, 1998; Maguire *et al.*, 2004). I explain below how entrepreneurial NGOs invest in backward and forward integration to earn a part of income and to fill the institutional voids.

Entrepreneurial NGOs follow different methodologies to offer microcredit to the POP. Micro-credit is offered for farming, small businesses and income generating activities of the people that they aim to assist. With regard to P, the poor is supported with the assistance of micro financing for building their livelihoods. P's support was intended for fishing and for making dry fish. Local NGOs form small groups (self-help groups) and grant money, and each group has a revolving fund to manage their groups. In these situations, each member is liable for other members' repayment. Q is identified as a micro-financing institution that offers credit for the livelihood assistance of war-widows. The organizations operate with sub-branches, which are referred to as parental societies. Such branches are later registered as CBOs (Community Based Organization) and pay membership fees to Q monthly.

Q provides a grant/loan for business and production activities. Some of the loans are directly targeted for cattle farming, goat farming, and poultry farming for families with orphans. Q implemented most development tasks, including housing construction and livelihood training through parent societies. Each member of the small groups is required to formulate a proposal, and the fund is approved by other members depending on the individual plans of the members.

With regard to S, it offers microcredit for small scale business holders. The president of S stated that,

“Currently, the clients of their microfinance are 4000 widows. She said that S has around six million rupees for this purpose, and the main target group was the potential women entrepreneurs.”

Further, S connects their clients to the local financial institution, and the potential distributors operate in Batticaloa. The Central Bank of Sri Lanka has required them to offer a poverty alleviation loan with a low interest rate of 4 to 8 percent per annum. S acts as collateral for the loan provided by Banks and for this purpose S requires ten percent of the loan obtained as safeguard money that is to be included as an investment for micro credit of S.

Microcredit offered by case organizations has changed the lives of the POP and build inclusive financial services that allow the poor to access credits for their livelihood purposes as explained before. Local NGOs directly offers microcredit and also as a collateral for the POP. Sometimes, local NGOs offer microcredit to individuals without collateral.

### **Organic Farming and Micro Enterprise Development**

In addition to agriculture and fishing loans, P established a joint organic farm for the affected women where P owns a piece of land and members are given a portion of land to

cultivate vegetables. P grants seeds, advice, and provides training and instruction to the people. Each member is responsible for one day of looking after the farm to protect it from wild animals. Sometimes two women stay at the farm and look after the farm at night. A woman at the joint farm stated that:

“I have been cultivating vegetables for the last five years and I sell vegetables for 500 rupees each day through the marketing centre own by P and I was able to educate one of my daughters in a school in Batticaloa town. P makes arrangements for us for irrigation (water pump), and they also provide us seeds, fertiliser and marketing opportunities. I saved 2000 rupees last month from the harvest”.

This organic farming allows the POP to obtain a piece of land suitable for cultivation that helps the POP for accessing to services such as education and other economic opportunities. Moreover, the farming is an example forward integration of P to control the supply of the vegetables produced in the farming centre.

Local NGOs promote micro enterprises among women. With regard to Q and S, most of these projects targeted young widows and aimed to empower them. They provide technical and financial assistances to widows. NGOs' support is mainly with the provision of the venture capital and to cover part of the fixed cost of the production process (e.g. a cashew processing machine). Further, Q helped to find the feasibility of micro business opportunities with the collaboration of professional bodies such as chamber of commerce. In most cases, local NGOs encourage village based traditional industries including handicraft, pottery, tailoring, making dry fish and other food items. P and Q help in micro-business development in the areas of insurance, registration, provision of resources and marketing opportunities.

S offers vocational training, including handicrafts, toys, garments, handbags, food items and palmyrah products. Furthermore, S also provides training on home gardening and organic farming. This has helped households to increase their income tremendously. A woman of small entrepreneurship stated that:

“With the new sewing machine provided by S, I was able to increase my monthly income from Rs. 10,000 to 15,000.” (From an interview with a women entrepreneur)

The main aim of S is to develop small women entrepreneurship. S helps to provide assistance for registration in the DS office and with the women's chamber of commerce in the district which provides marketing opportunities to women entrepreneurs. Women entrepreneurs are grouped together and registered. The registration is important for obtaining loans from the bank. S so far has helped 100 small enterprises registered in different DS offices.

The chairman of S points out that:

“Formation of small businesses among the members helps us to understand the specific problem and technical assistance required for that business; we provide corresponding capital and training to the owners of small businesses”

S provides technical training and microcredit for the potential entrepreneurs in the areas of joint farming, home gardening, and microcredit facilities.

### **Marketing for Small Businesses**

S's primary stakeholders belong to small entrepreneurship. S generates profits from the sale of the products from its small business suppliers. One of the important efforts of S is to provide markets to small business owners by assisting them to sell their farm products at the highest possible price in the marketing centre established by S. The president of S states that:

“The main reason for our existence is based on our social mission, aimed to support improving the economic capacity of the war-affected women and we generate profit only for the survival of our organization and to provide a salary to our employees.”

It is mentioned that market access to poor producers and helping them to achieve sustainable livelihood are the main driving forces for the existence of S. Furthermore, the president points out that:

“In marketing centre, our primary stakeholders are small businesses created by S from the affected community who are the suppliers and producers.”

In this regard, the poor are identified as the suppliers and the producers. S acts an intermediary organization that connects female entrepreneurs with their buyers. Later, businesses created by S become franchisees of S who pay a membership fee. Moreover, women entrepreneurs sponsor product promotion effort through an annual product exhibition of S where entrepreneurs exhibit their products as part of S's marketing programme.

The leader of S says that “more than 100 widows receive vocational training yearly. S has established a platform for an entrepreneurship development programme. It has 20 staff members and most of their salaries are provided upon the profit earned from the marketing centres.” Further, she stated that:

“Income generated from the marketing centres is used to help the women who are affected due to domestic violence.”

P was considered a member of a wider network of organizations. P's main aim was to provide income security through wider market participation of the POP. One of these networks is called ‘peace marketing,’ aimed to improve social and economic relationships and develop mutual understanding among different ethnicities, castes and classes by way of exchange visits, language lessons, goods exchange and joint social issue handling. The local actors represent all three of Sri Lanka's main ethnic communities. In the context of peace marketing, members of the network collect cheaply available goods in their respective regions and then send to other member organizations in the network where those would have been otherwise expensive. For instance, P collects the dry fish, rice and honey from Vaharai, a village in Batticaloa where it is cheap and sends to the area where it is expensive, and in-turn P receives vegetables, tea, and coffee from upcountry. The wholesale centre owned by P distributes goods to the retail centres owned by the subcommittees that operate

at the village level. Peace marketing operates throughout the nation. Another intention of setting up this national level network is to improve the negotiated settlement of the social issues while improving understanding among the various ethnicities. For instance, the president of P stated that:

“We as a collective body met the Minister of Social Service and were able to increase the monthly social security fund from Rs. 500 to Rs. 1000. Now the government grants monthly support twice a month. And also we approached the Minister of Lands to obtain a deed for the people who live in the land with a permit granted from the DS. Most of the people in our area live with a permit for their land.”

The marketing opportunities for the POP aim to create sustainable livelihoods in agriculture, fishers and small businesses at the community level. NGOs offer productive inputs, trainings and other infrastructure for creating marketing opportunities.

### **YOUNG PEOPLE’S ENGAGEMENT IN SOCIAL ENTERPRISES**

As stated above, young people are the major workforce of the case organizations in both matured NGOs and youth NGOs. The organizations interviewed have 80% to 90% of youths with the age cohort of 18-29 after their Advanced Level (A/L) examination or university education. Youth unemployment is the burning issue in the district and gives them ‘a feeling of hopelessness’. However, educated youth in former LTTE-controlled regions and rural villages in Batticaloa increasingly engage with community work after their education. They use this opportunity for their career advancement before obtaining secured jobs in the public and private organizations.

The NGOs normally employ youth as office administrators and field staffs. Many youth work on a full time (contract basis) for different projects of the case organizations<sup>7</sup>. A manager of Q stated that one of the reasons for building social enterprises is to provide employment to the youth<sup>8</sup> and these organizations also aim at the creation of employment for the youth in the region. This is a great opportunity to be exposed to early career development for many youth in this region.

For most of the youth, the ground realities, personal experiences together with the exposure from local realities motivate them for social work. Murali (23) is a university student, works as a field officer for Q, the main responsibility is to form a youth volunteer forces to mobilize the disadvantaged community in the rural village. He said he was initially working in an area where four widows died due to malnutrition that is nearby his village. Moreover, he is particularly interested to stop the children dropping out from school, which is at a high rate in his regions. He said he is motivated for community work as these are happening to his neighbours and relatives. The training that he received from Q energized and awakened him for community work. Ragu (31) is chairman of P, had undergone difficulties during the civil war (while he was in Colombo for higher studies, he was abducted and kept in the jail without any reason for 3 years from 17 to 20 years of age). As his mum was illiterate and the family lacked financial resources, he could not get legal assistance. After he was

<sup>7</sup> Interview with P and Q on 12.07.2014

<sup>8</sup> Interview with the chairman, R on 03.01.2014

released from jail, he became a member of the Jesuit Church. Later he worked for several INGOs. The personal experience together with exposure at the international organization helped him to start the NGO to offer legal services to the victims.

### **INSTITUTIONAL BRICOLAGE FOR INCLUSIVE RECOVERY**

Existing scholarship in the institutional bricolage and institutional voids has contributed to our understanding of how the poor are restricted to enter the market. Yet, we still know little on how institutional voids create opportunities and how entrepreneurs support ongoing recovery process after a crisis. After studying the local networks of NGOs in India in the aftermath of the tsunami in 2004, Kilby (2007) points out that these networks are useful for achieving the priority needs of affected people and making affected people more inclusive. Accordingly, networks are created to address the livelihood needs of the poor. Different types of local networks were discovered in my research. This network had been formed to support the affected people while addressing priority social needs such as human rights. NGOs' human rights initiatives through business networks are their reputational management strategies when they face a crisis of legitimacy in low-trust settings (Walton, 2012). I found specific examples of SE that counteract conventional limitations imposed by political or other institutional settings. For example, NGOs working on child issues have formulated a programme that encompasses the economic capacity of families to enable them to send their children to school and also to escape or recover from abuse.

All four organizations emerged as small-scale relief and rehabilitation organizations during the war period and survived through different turbulent situations. Over the years, they have shifted their mission as relief organizations to development organizations. They are focusing on microfinance provision, farm and small business development, human rights and other gender related projects. They play an intermediary role to connect the POP to market activities. After the end of war in 2006, they become social enterprises supporting assets, marketing and other vocational training programmes that facilitate sustainable livelihoods (Mair and Marti, 2009).

The affected people's recovery in eastern Sri Lanka follows the institution of rules. Analysis of institutional voids in post-war setting involves two prominent components which are property rights and autonomy (North, 1990) that are considered important for inclusive recovery. In eastern Sri Lanka, property rights are passed through matrilineal values where properties are transferred to daughters through their mothers (McGilvray, 2008). Traditionally Eastern Sri Lanka is an agricultural based social structure ('Podiyar system') which was based on resource centrality. Podiyars are usually landlords from a particular Kudi – a homogeneous social organization based on matrilineal clan. Although stratification is found among the Kudis, they often maintain equality, familiarity and reciprocity (McGilvray, 2008). An informant from Q stated that 'The most of the affected people own a paddy field or a piece of land. However, they are poor as the yield from the paddy field is low due to the fact that they don't receive an adequate price for their agricultural products because of the domination of the capitalists'. The matrilineal control of property enforces the ownership of the paddy land but at a low yield. Because of the lack of other alternatives and awareness, the POP often relied on capitalist or private companies.

As stated by Baker and Nelson (2005), one of the key features of bricolage is the refusal to enact the limitation. My analysis illustrates that entrepreneurial NGOs create a space for

local interaction to handle limitations. This platform enforces NGOs to intervene within an institutional context within which SE operates. Interaction and dialogues are considered important to rebuild trust among communities. Their objective was to create mutuality among an ethnically polarised setting that would help to break capitalists' dominance in pricing agricultural products. In the other case, Q's parent societies, R's development centre and S's small business are also supporting the same mission. However, the effort to build such supportive institutions requires continuous sets of interaction between the POP and the supporting institutions stated above.

In addition to the above intervention, entrepreneurial NGOs outreach to existing services to the POP. Especially, S is trying up with government services such as credit, judiciary and health or education. S builds up links with state banks to obtain loans. Also, R and P help the POP to obtain legal certificates such as marriage certificates and land deeds. Similarly, P took initiatives to encourage their POPs to obtain membership with the government established societies such as farmers' society, fishermen's society and livestock development societies with the purpose of linking beneficiaries to government subsidies, including agriculture inputs (fishing nets, seeds and fertilizers), low interest loans and subsidy in purchasing livestock under certain conditions.

Entrepreneurial NGOs also networked with other NGOs apart from government services. For instance, the NGOs working with issues related to domestic violence and children are teamed-up with specialised organizations. Q established a village level children rights monitoring committee (VRC) that operates in villages; the committee consists of the DS, school principals, and government officers at the village level. The aim of VRC is to discuss issues relating to children in the village and submit proposals to or get their inputs from the district level children protection committee (CPC). Most of the issues relating to children are handled within guidelines provided by the Child Rights Charter (CRC). A similar network is called Women's Coalition for Disaster Management (WCDM). The main aim of WCDM is to restore women's livelihood and to advocate more improved and responsive services including land issues and access to compensation and loan. The members meet monthly and share challenges relating to women in the district. As I showed in the previous section, R owned a wider resource centre that included training facilities, equipment and expertise. Further, these activities are intended to promote the capacity of the village societies and to enable targeted participants to participate actively in a sustained livelihood.

## **CONCLUSIONS**

I showed how entrepreneurial NGOs instrumentally used institutional voids and emotions to encourage social and economic changes in war-affected regions in eastern Sri Lanka. Based on the findings, I produced evidence on how entrepreneurial NGOs provide various support services for the poor in accessing the market. Thereafter, I argued that both emotions and elements of bricolage such as ties and networks are relevant for stimulating the poor to participate in markets and to improve the livelihoods activities of the POP. Finally, I argued how networks and ties help to overcome some institutional barriers. While the contributions of SE in altering existing institutional conditions are limited, I do see some signs of progression in existing social structure.

The present study contributes to the literature of social entrepreneurship and institutional theory in developing countries in two ways. First, this study deviates from previous studies

on institutional conditions such as customs and norms (Marti and Mair, 2009; Mair *et al.*, 2012). The present study focuses on the institutional context including local norms, customs and the political economy of the war-affected situation in the eastern Sri Lanka. I found that opportunities for inclusive recovery in developing countries coincide with networks, ties, reciprocity and cohesion. Second, the mutuality between market actors such as entrepreneurs NGOs and their community organization is crucial for building inclusive recovery in war-affected regions.

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